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EDITORIAL

As We See It

"Let it not be said by future historians that in the second decade after World War II freedom throughout the world died of a balanced budget." With this sentence Chester Bowles concludes a long plea in the New York "Times" for a Marshall Plan to cover virtually all that part of the world which was not included in the program which Mr. Bowles and most other Democrats think saved Europe from Russia and Communism. The general idea appears to be that we should now proceed to pour billions, perhaps tens or even hundreds of billions, into Asia, Africa and Latin America, and in this way halt the march of the Soviets and Communism round the world. In brief, Mr. Bowles is intent upon reviving "Point Four" and seeing to it that it assumes dimensions which would render a balanced budget out of the question — politically if not economically.

We find it difficult to deal with such philosophy as this calmly, and are not little disturbed because it appears necessary to deal with it at all. Mr. Bowles seems to think that the Marshall Plan was a stroke of genius, and that its effect was magical. He appears to forget about France and Italy, neither of which has blossomed like the rose despite the unprecedented generosity of Mr. Bowles' political party. His is the all too common assumption that the magic of this scheme of Secretary of State Marshall (if the idea really was his) is beyond all cavil, and that similar action now in the rest of the world would solve problems otherwise insoluble—very much as so many of Mr. Bowles' political confreres seem to suppose that comparable largesse to the farmers

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Economic Developments Point to a Crest Ahead

By WALTER E. HOADLEY, JR.*
Treasurer, Armstrong Cork Company

Mr. Hoadley cautions against business relying on long-run growth to solve short-run problems, and points out, though the standard forecast for business in 1956 is moderately optimistic, certain economic developments point to a coming crest. Discusses the inventory situation, and holds inventory accumulation will continue well through next year. Looks for: (1) a fairly substantial reduction of income tax; (2) an expanded farm support program; (3) moderately increased defense expenditures; (4) more highways and public works, and (5) prompt action in monetary and credit field at first sign of economic distress.

Everywhere we turn these days there is emphasis upon this word "growth" and properly so, for our dynamic economy and most leading industries certainly are growing at very impressive rates. In fact, there is convincing evidence to suggest that there is greater confidence today regarding the longer-range growth outlook for the economy than at any previous time. Any concern about general business developments during the coming year, for example, is widely tempered by the expressed thought that there is "terrific" growth a little further ahead, and most assuredly during the decade of the 1960's.

W. E. Hoadley, Jr.

As Chicagoans often say to visitors — "if you don't like our weather — wait a few minutes — it'll change — see if you don't like it better"; so in business planning there is now the common view that if by chance you don't like what's immediately ahead—just show a little patience,

Continued on page 30

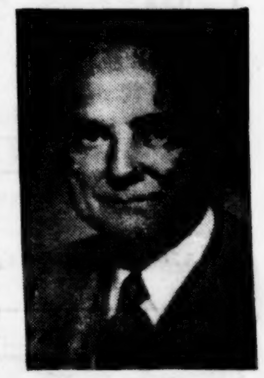
*An address by Mr. Hoadley at the 35th Annual Meeting of the American Petroleum Institute, San Francisco, Cal., Nov. 16, 1955.

Petroleum Financing

By LYON F. TERRY*
Vice-President, Chase Manhattan Bank, New York City

Mr. Terry calls attention to the improved financial status of oil and gas producers since the early 1930's, with the result that production loans in the industry have been gradually extended from one year to ten years. Predicts capital expenditures by the petroleum industry may exceed $9 billion yearly by 1965, of which about $1 billion or more may be derived from borrowings from commercial banks. These, he says, have ample resources to provide the required funds.

The American petroleum industry has shown great progress since the depression of the early 30's. By years of concerted effort in the establishment of state production controls, inter-company co-operation, and advances in petroleum engineering, the industry has attained a high degree of stability, which has greatly improved its credit rating in the eyes of bankers and other leaders.



Lyon F. Terry

In this paper I shall attempt, first, to review some of the developments which have led to the higher order of credit accorded the industry, particularly the oil and natural-gas producing business; then, to describe how we, in one of the country's petroleum banks, appraise petroleum financing problems; and finally, to consider the growth prospects of the industry and the future financing which this will require.

Stabilization of the Industry

The petroleum industry suffered a double blow during the depression of the early 30's. In addition to the worldwide economic collapse affecting all industry, the oil companies faced the impact of the rapid development of the East Texas oil field. This field was discovered in

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*An address by Mr. Terry before the Financial and Accounting Group Session of the 35th Annual Meeting of the American Petroleum Institute, San Francisco, Cal., Nov. 15, 1955.

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(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Hawaiian Telephone Company — Finlay Ross, of Ross & Co., Honolulu, Hawaii (Page 2).

Southwest Gas Producing Co., Inc. —Charles L. Holton, President, Holton, Hull & Co., Los Angeles, Calif. (Page 2).

FINLAY ROSS
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Hawaiian Telephone Company

In the midst of the "Crossroads of the Pacific" where East meets West, we have a telephone utility with considerable growth potential. Combining the stability of a utility with promise of further long-term growth, Hawaiian Telephone Company is my choice for "The Security I Like Best."

Finlay Ross

Incorporated as the Mutual Telephone Company on Aug. 16, 1883 under the laws of the former Kingdom of Hawaii, the company, through mergers in the 20s, absorbed the outer island telephone systems and finally on Feb. 1, 1954 changed its corporate name to Hawaiian Telephone Company. It furnishes telephone service on the six major islands of the Territory of Hawaii, with radio telephone service and record communication service by radioteletype between the islands. Through the facilities of RCA Communications, it connects with the American Telephone and Telegraph System in the continental United States. At the end of Oct., 1955 it owned and operated 141,363 telephones, of which approximately 80% are located in the City and County of Honolulu, Island of Oahu. Its service area comprises 6,318 square miles with an estimated civilian population of 500,976 on July 1, 1955.

Hawaiian Telephone Company has faced successfully a record demand for telephone installations in the postwar period and at the same time has kept abreast of the improvements in modern telephone service. Conversion of remaining exchanges to dial service is nearly complete, and further expansion of customer-dialed toll free areas is in prospect for the future. In conjunction with the American Telephone and Telegraph Company, plans for a transpacific telephone cable between California and Hawaii are being completed. This will be the first telephone cable to Hawaii and will carry up to 36 telephone messages simultaneously; it is expected to be in operation by 1958. In a recent statement to stockholders, Mr. J. B. Atherton, President of the company, stated that the specific amount of investment by Hawaiian Telephone in this project had not as yet been determined.

It is of further interest to note that Hawaiian Telephone (an independent company) ranks among the top 10 in the more than 5,000 independent telephone companies in the United States. The company has long been noted for its progressive and forward-looking management; the dial system was introduced in Honolulu as early as 1910. Further, the company pioneered in the field of radiotelephony. Its interisland radiotelephone system, put into service between Honolulu and the islands of Hawaii, Maui and Kauai in 1931 originally operated in the Very High Frequency range of 30-40 megacycles. Prior to this time, it had been felt that frequencies higher than 5-8 megacycles would not be usable for such long overwater hauls. The interisland system now operates between 70 and 100 megacycles. Also, in 1948, the company was first to institute direct radiotelephone dialing for its interisland service, enabling the Honolulu operator to dial outer island numbers direct from her switchboard, thereby greatly speeding up interisland telephone communications.

The economy of Hawaii is sound and has shown progress in the postwar years. Its principal sources of revenue are sugar and pineapple production, the tourist trade, and military expenditures. Total volume of business transacted annually is in excess of $1 billion. Residential and commercial construction during the postwar years has been record breaking. The building boom has been concentrated in Honolulu and suburbs on the Island of Oahu and has been the result of rising living standards and the pressing need for more accommodations for the ever increasing number of tourists. Multi-million dollar hotel and shopping district projects in Waikiki have been completed or are being planned by Matson Navigation Company, Henry J. Kaiser, Murchison and Trousdale and other interests. In the not too distant future, industrial activity is expected to expand more vigorously with diversification of products as its ultimate goal. For example, Standard Oil of California is planning to erect a $30 million refinery on Sand Island, gateway to Honolulu Harbor.

These developments have contributed to Hawaiian Telephone's growth and are expected to sustain this growth trend in the future. The following brief statistical resume illustrates the growth of the past 10 years. Gross operating revenues, excluding non-utility, increased 225%; net income rose 329%; number of telephones owned and operated advanced 143%. The company's capitalization is conservative. On Dec. 31, 1954 the ratios were: Funded Debt, 46.12%; Preferred Stock, 15.91%; Common Stock and Surplus, 37.97%. Total investment in plant was over three times what it was at the end of 1945. From a recent earnings statement, average earnings per common share for the 12 months period ending Oct. 31, 1955 were $1.30 vs. $1.04 for the previous year; this compares with average earnings per share for the past 10 years of 86 cents.

Hawaiian Telephone has 1,202,765 common shares ($10 par value) outstanding owned by over 6,000 stockholders. The current quarterly dividend is 22½ cents, an indicated annual rate of 90 cents. At the recent price of $18, the yield is 5%. The company has had an unbroken dividend record for the past 47 years. The stock is listed on the Honolulu Stock Exchange and is also traded on the Over-the-Counter market in New York, San Francisco and Los Angeles.

CHARLES L. HOLTON
President, Holton, Hull & Co.,
Los Angeles, Calif.
Member Los Angeles Stock Exchange

Southwest Gas Producing Co., Inc.

For investors seeking a natural gas equity with a huge growth potential, we would like to direct attention to Southwest Gas Producing Co. This company, an independent producer of natural gas, also operates a modernized refinery for the extraction of butane, gasoline, kerosene, propane and other natural gas derivatives. The management has adroitly succeeded in virtually leasing all the output of the wells in the vicinity of its gas extraction plant, with the result that it now has an elaborate gathering system, consisting of 148 wells, of which 62 are owned and the balance are under purchase contract with others. All told, the company owns, or controls, production from 200 actively flowing wells on 45,600 acres, of which less than one-fourth, or only 10,000 acres, have been developed.

Charles L. Holton

The company has contracts for the sale of its natural gas with the major pipe line companies, including Texas Eastern Transmission, Texas Gas Transmission, Tennessee Gas Transmission and Transcontinental Gas Pipe Line Corporation. The company has become well entrenched in the areas where it operates. For example, it now has a 20-year contract with Texas Eastern Transmission ("Big Inch and Little Inch" lines) calling for an average delivery of 62-million cubic feet of gas daily from the Hico-Knowles Field in Louisiana, in which it owns full interest in 24 wells and a joint interest in eight additional wells.

The Natural Gas Industry and Legislation

In the years 1941-1953, the growth and demand for natural gas as a source of power was twice as rapid as its nearest competitors. The energy derived from coal fell by 15%, from oil increased by 89%, and from natural gas by 200%. An abrupt halt to this growth was brought about by the ruling of the U. S. Supreme Court in June, 1954, whereby the Federal Power Commission has the responsibility to regulate the sale and price charged by independent producers of gas which moves across the state lines. Immediately thereafter, the FPC froze prices at the well-head.

The Harris Bill exempting independent natural gas producers from FPC regulation was introduced in late 1955. This bill passed the House of Representatives with a comfortable majority and reputable sources feel that it will pass the Senate this coming January.

The independent producers stand to gain in three ways from such proposed legislation for, in addi-

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Income Tax Pointers on Securities

By J. S. SEIDMAN

Seidman & Seidman, New York City
Certified Public Accountants

Among the "pointers" given by Mr. Seidman are: (1) the tax treatment of capital gains; (2) how losses are treated; (3) how to watch the "six-month-line" to save taxes; (4) how spacing between years saves taxes; (5) how dividends are treated; (6) how to convert dividends and interest into capital gains; (7) how to identify securities sold; (8) how commissions and other expenses are treated, and (9) how to time your year-end sales.

"Capital-gain" is a magic word in Federal income-taxes. The reason is simple. Individual tax rates can go to 91%. But with a capital gain, Uncle Sam's maximum take is 25%. Hence, the big push is for capital gains.

J. S. Seidman

What is a capital gain? By and large, it is the profit on the sale of anything other than the merchandise of a business. A common example of a capital gain is the profit made by an investor on the sale of stocks and bonds. Everything here will accordingly be described in terms of securities, but what is said will also apply to commodities, foreign exchange, real estate, etc.

The rules for the security "investor" are different from the rules for those who do enough buying and selling to be a "trader" or "dealer". The rules for corporations are different from those for individuals. Only the individual investor will be considered here.

How the 25% Rule Works on Profits

Security profits and losses go in one of two baskets, based on the length of time the securities are owned. Six months is the dividing line. Profits and losses on securities held for more than six months (here called over-six-month profits) go in one basket. Profits and losses on securities held six months or less (here called under-six-month profits) go into the second basket.

Each basket is taxed differently. If there is a net profit in one basket and a net loss in the other, the two are netted. If this leaves a net profit in the under-six-month basket, the profit is reportable in full in the regular way. If it leaves a net profit in the over-six-month basket, there is a two-way play, whichever gives the lower tax: (1) a flat tax of 25% of the profit or (2) reporting half the profit in the regular way.

The 25% limit on the tax becomes meaningful to individuals with more than $16,000 income. That figure becomes $32,000 if husband and wife are involved and they file a combined return. People with lower incomes pay less than a 25% over-all tax. As the lowest regular tax rate is 20%, and only half the profits in the over-six-month basket need be reported, the tax on those profits for people in the 20% bracket is only 10%.

How Losses Are Treated

If the net results of the under-six-month basket and the over-six-month basket taken together, show a loss, then regardless of what basket it comes from, the loss is deductible, within certain limits.

To illustrate: Suppose the net of all trades for 1955 is a $10,000 loss. Only $1,000 of this loss can be deducted in the 1955 return. The other $9,000 goes in the under-six-month basket for the five years 1956 to 1960, to apply against the first $9,000 of any net security profits in those years. If there are no net security profits in those years, $1,000 can be taken as a regular deduction from other income in each of the five years. That absorbs $5,000. Nothing can be done about the other $4,000. Security losses of any year can be carried forward only, not backward.

As this rule about carrying forward losses for five years has been in effect for some time, it means that losses as far back as 1950 can be used in 1955 returns, if not previously absorbed by profits.

Losses are always figured in full whether under-six-month or over. The tax savings from losses can run as high as 91%. Suppose, for example, Jones is in the 91% bracket, and that in 1955 he takes a $1,000 under-six-month profit. His tax on that $1,000 will be $910. However, if he then takes a $1,000 loss on securities, whether over or under six months, that will exactly offset the $1,000 profit, and wipe out the $910 tax. In other words, the $1,000 loss has saved Jones $910, or 91% in tax.

How Watching the Six-Month Line Saves Taxes

There is an obvious advantage in taking profits after a six-month holding. The tax rate then ranges from as little as 10% to a maximum of 25%. Before six months, the range is from 20% to 91%.

The six-month line also needs watching on losses, to make sure they offset the heaviest taxed profits. For example, suppose Jones has $2,000 of under-six-month profits and 2,000 of over-six-month profits. He also has an open loss of $2,000 on newly bought securities. If he waits to take the loss until after the six-month line has been passed, he must apply it against the $2,000 of over-six-month profits. That leaves him with the $2,000 of under-six-month profits to report.

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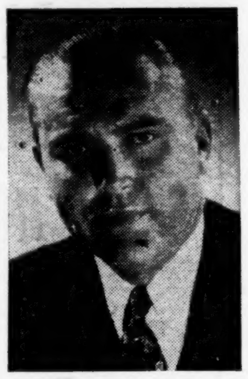
Business Prospects—The View from Detroit

By L. L. COLBERT*
President, Chrysler Corporation

Asserting, from the Detroit point of view, the economy looks very good indeed, prominent auto executive holds there is no end in sight to the tremendous needs of this country for the goods we produce. Says auto industry is building this year eight million cars, and this is not "a temporary phenomenon." Stresses high level of investment in plant and equipment as one of the most powerful stimulants for the economy.

In everything we undertake, in every problem we tackle, no matter how strong our personal interest may be, all of us are bound to be more aware than ever before of the public interest in our decisions and our actions. With this awareness we have already accomplished things that some people thought would be impossible. For one thing, we haven't done too badly during the past year with a Republican administration and a Democratic Congress. We seem to have made progress in finding ways to guard the country against subversion without endangering individual rights and liberties. Considerable headway has been made toward relaxing the tensions between east and west. And the economy has become stronger than ever.



L. L. Colbert

From the Detroit point of view the economy looks very good indeed. More people are working than at any time in the nation's history and unemployment is lower than at any time in the past two years. Whether you look at the levels of income, both national and personal, the amount of money people are spending on goods and services, or the rate at which goods are being produced, you see new records being set every week. The most impressive thing about the prosperity of the last few years is that it has been sustained without further inflation. Since January, 1952—nearly four years—the purchasing value of the dollar has varied by only two and a half cents! In those same four years the national production and national income have gone up steadily, with the exception of 1954, when there were moderate declines. And even in 1954 the personal income and the personal expenditures of the American people continued to rise.

*An address by Mr. Colbert before a Luncheon Meeting of the National Press Club, Washington, D. C., Nov. 10, 1955.

A New Confidence in the Future

We Americans—both as producers and as consumers—have been demonstrating a new confidence in the country and its future. And out of our experience in watching the country grow and helping it grow, we have gained a more mature knowledge of what it takes to encourage an incentive economy to keep driving ahead under its own steam.

I believe most Americans would agree today that the government has certain basic responsibilities toward the economy. We agree, for instance, that the government should keep careful watch on our economic trends and not wait until a serious situation develops before calling for corrective treatment. We agree that the government has a responsibility for framing and executing sound and flexible monetary policies and an obligation to assist in the building of public assets such as good roads. And in keeping with the Eisenhower spirit of looking first at the good of the whole nation rather than at the benefit of one segment or another, we agree that whenever tax reductions are feasible, the government should use those tax reductions with an eye to stimulating both consumption and investment, rather than the one or the other.

With this attitude toward the relation of government and business, we have less fear of violent economic shakeouts and both businessmen and their customers have increased confidence in the future. We look upon government as a balance wheel of the nation's economic machine and not the power plant. And we look to business not only to produce the goods and perform the services the nation needs but also to supply forward momentum to the economy. I believe most Americans are going to go on being pretty happy about our system of private enterprise as long as private enterprise continues to supply the kind of momentum it has supplied in the postwar decade and especially in the last few years.

The Population Growth

As it looks to us in Detroit there is no end in sight to the tremendous needs of this country for the goods we produce. Our population is growing at the rate of about 3 million a year—and only a few short years from now it is going to start growing a lot faster than that, when the youngsters born in the early forties start getting married and raising their families. The Census Bureau now estimates that twenty years from now the population of this country may be 228 million.

Here is another way to look at the present rate of growth in our population. In Washington, D. C. and the surrounding suburbs there are about a million and a half people. Every twelve months the net gain in the population of the country is enough to populate two metropolitan areas of this size. Or look at it this way. In 1940 the population of the country was 132 million. If the estimate of 228 million in 1975 is right, it means that in the 35 years between 1940 and 1975, our country will have grown by nearly 96 million people. In other words, we will add to our population in three and a half decades more Americans than were alive when Taft was elected president in 1908!

Facts like these are meat and drink to those of us who spend a good part of our time looking ahead at our potential markets and planning new productive capacity to meet the demands of those markets. We see a greatly increased rate of family formation starting in 1960—and in this age of the automobile, each one of those families is going to want a car. Many of them will want and be able to afford two cars. We see already established families moving in a never ending wave out from the central cities into the suburbs. We know from talking with our dealers that more and more people when they come in to buy a new car are deciding to keep their old one as a second car. We know from talking with builders and real estate people that in many suburban areas the two-car garage is rapidly becoming the standard, and they tell us that it is getting harder to sell houses with a one-car garage. As I stated in Washington last spring I believe that by 1975 the one-car family will be in the minority and that a large proportion of families will be using three or more cars.

But these facts are only part of the story. Listen to this. Fourteen million families in this country still do not own an automobile. Two out of every three women have not yet learned to drive a car. Nearly six million cars now on the road were built before World War II. We estimate that in the years ahead the automobile industry will have to build four to five million cars every year just to replace those that are scrapped. And we are going to be working full time to supply the increasing demand from people who will be buying cars for the first time and those who will buy second or third cars to make life more enjoyable.

The 8 Million Cars in 1955

Only a few years ago we in the automobile business thought a six-million car year was extremely unusual. But this year the industry is building eight million cars—and we definitely do not look upon this as a temporary phenomenon. The sustained demand for both new and used cars this year is strong additional evidence of the still tremendous unfilled needs for automobiles in this country. We have been particularly impressed by the way used car prices have held steady in this very big market for new cars.

Entirely apart from the basic demand for good transportation in a rapidly growing country which

Continued on page 20

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The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Several industries experienced some slight curtailment in industrial output in the period ended on Wednesday of last week. Total production, however, was maintained at a point considerably above that of the similar week in 1954 with an increased demand for copper. The supply of copper showed some shrinkage and a slight cut in aluminum inventories was also noted.

The Federal Reserve Board predicted "a further sizable advance" in the nation's total production during the current quarter to push 1955's total some 7% above last year.

However, while the total output of goods and services continues on the upswing, the Board also noted that price advances since the middle of the year "have been a more important factor than earlier."

It estimated gross national product would reach a new high of $387,000,000,000 for the full year 1955. This compares with $360,500,000,000 gross national product registered last year and $364,500,000,000 in record 1953.

By rising "sizably" in the fourth quarter, the gross national product will come close to reaching the $400,000,000,000 seasonally-adjusted annual rate for the first time in history. In the third quarter of this year, total output of goods and services soared to an annual rate of $391,500,000,000 from a $384,800,000,000 rate in the previous quarter and $375,300,000,000 in the opening three months of the year. During last year's final quarter gross national product settled at $367,100,000,000 annual rate.

Claims for unemployment insurance benefits dropped moderately with reductions reported in 27 states. Scattered layoffs in the construction and leather processing industries were offset by increased hiring by textile and apparel producers.

Initial claims for state unemployment insurance benefits rose by 43,800 to 230,200 in the week ended Nov. 19, the United States Department of Labor's Bureau of Employment Security stated.

The rise was due to layoffs in seasonal industries and to adverse weather conditions that reduced work in construction, lumbering and other outdoor activities, the Bureau reported. Initial claims for state jobless pay totaled 288,700 a year ago.

The bureau also reported the total number of workers drawing jobless pay benefits rose by 21,600 to 813,400 in the week ended Nov. 12.

The steel expansion program is heaping new burdens on steel supply. Producers are in the delicate position of competing with their customers for available steel, and with each other in the race to expand, states "The Iron Age," national metalworking weekly this week.

A growing number of small steel consumers are going to Washington to complain about the shortage, writing letters and making personal calls on their congressman, demanding that "something be done."

Everybody agrees that more capacity is needed, but a lot of people forget that it takes about 3,000,000 tons of steel to build 10,000,000 tons of new capacity, continues this trade journal.

Steel producers themselves have been forced into barter deals with their competitors to get special shapes made only by the competitor and where trades cannot be made, the steel company's contractors stand in line with other customers.

Meanwhile, steel scrap trouble may break out at any moment. The pressure for higher scrap prices is terrific and steel conversion deals constitute the latest fly in the ointment. Some such deals are tied in with scrap and in such cases the principals involved are inclined to bid up the price.

There's no doubt that conversion arrangements are growing. They would be more numerous and involve heavier tonnages except that most steel producers have a better balance between ingot and finishing capacity than in previous shortage periods. For this reason it's tougher to mesh the many complex details that enter into a conversion deal, declares this trade authority.

Despite the evidence that steel supply will continue tight into third quarter of 1956, there are still some people who feel that somehow or other things will ease up in the first or second quarter of next year.

These consumers are banking on cutbacks by automotive producers. But the automakers themselves are predicting another good year for sales. So are all of the major consuming industries, including appliances, farm equipment, railroads, oil and gas. The aircraft industry is loaded to the hilt with orders.

What is being overlooked is that even if one or more of the big consumers run into trouble, there are other factors to bolster demand. These include the need for rebuilding of steel inventories and the inevitable hedging by most consumers against a possible strike in steel, concludes "The Iron Age."

According to the United States Department of Labor the cost of living was unchanged in mid-October from a month earlier.

As a result, nearly a million auto industry employees failed to get a wage hike, based on contracts in which pay rates are geared to the cost of living.

As of mid-October, the index bobbed at its 114.9 rate of September on the 1947-49 base of 100, the Bureau of Labor Statistics figured. This compared with 114.5 a year earlier and the record level of 115.4 reached in October, 1953.

Food prices followed their usual seasonal pattern by declining between mid-September and mid-October. But higher costs for transportation, housing and medical and personal care offset this drop, the figures showed.

The October stability in living costs, coupled with fatter-than-ever pay envelopes, gave the nation's factory workers more buying

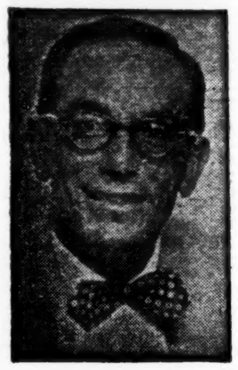
Continued on page 36

Observations . . .

By A. WILFRED MAY

WHO OWNS THE YACHTS?

Any need for more humor in Wall Street now becomes well remedied with the arrival of a new revised edition of Fred Schwed's epic of 15 years ago, **(WHERE ARE THE CUSTOMERS' YACHTS?** or **A Good Hard Look at Wall Street, Bull Market Edition, by FRED SCHWED, JR. Illustrated by Peter Arno, Simon & Schuster, N. Y. 215 pp. $2.95).**



A. Wilfred May

The intriguing title comes from this old Street gag, which the author says he blandly "swiped." An out-of-town visitor was being shown the wonders of New York's financial district. When he arrived at the Battery, the guide pointed out some elegant ships riding at anchor, explaining "there are the great Wall Street brokers' yachts," which prompted the naive visitor to inquire, "But where are the customers' yachts?"

If the implication about lack of *customers'* profits (via capital gains) is not applicable in the bullish Blue Chippy 1950's as it was after the sluggish post '29-1930s, it is still useful as a warning and reminder of everpresent investor frailty. Likewise constructively useful is the recording of the mores of yesterday, as highlighting the great contrast with the investment phenomena of today.

In the course of *this* era's Bull Market, will the customers perhaps end up with the yachts?

In any form whether contained in the original earlier bearish market edition or in the present up-dated "Bull Market Edition," Mr. Schwed's humor-laden philosophy offers rich food for enjoyment as well as significant observation. In these and other phases of today's financial world, pleasurably depicting Wall Street's foibles with his unique sense of humor, the author is at the same time rendering highly constructive service to the uninitiated as well as the sophisticated investor.

At Forecasting

In the area of prediction, Wall Street's perennially favorite indoor sport, does Mr. Schwed render a particularly effective debunking job—accompanied by a grotesque Peter Arno cartoon picturing a customer with his nose on the ground in pursuit of an "indelibly indicated trend." In specifically taking great realistic swipes at illusions regarding that elusive *trend*, on whose delineation the chartists' activities are premised, our anti-philosopher is rendering a real service in warning the investor against the unrealism of forecasting proclivities.

The author suggests that the trend-followers' real credo is: "buy them when they are up, and sell them when the margin clerk insists on it."

Special treatment is given to the small, passionately bound sect of Chart Readers, including their growingly used technical jargon as "head and shoulders information," "double tops," "breakaway gaps," and the like.

Serious Humor About the SEC

In his treatment of regulation and reform Mr. Schwed repeatedly berates the SEC for its flamboyancy. He wants the Commission to model its general procedure and publicity closer to that of the Department of Weights and Measures, and a little less like that of G-men looking for an enemy. Rapping the length and incomprehensibility to the uninitiated of our established prospectus provisions, he says "nowadays a properly registered prospectus contains everything; it is as long as this book, and duller."

The author maintains that the Commission should see itself as a doctor who has only one patient, with no prospect of finding another. It would be a ridiculous error to murder one's only patient, the public, instead of keeping it alive for a slower death. The patient can always be kept below a total cure.

Board-Room Economics

Current incomprehensible explanations for questions puzzling our author, such as to who "wins" the money that is lost on a transaction, and vice versa, he characterizes as "Board-Room Economics." Rarely will you get the most difficult of answers, "I dont know."

Who Are "They"?

The Street's proclivity to refer to a mystical all-powerful "they," usually as a tipping bulwark, he questions as an anachronism in view of the extinction-via-SEC of the legendary powers-that-be of the tape. "For the last ten years there haven't been any great speculators or manipulators at all. But the use of the pronoun 'they' continues unabated. It must be the demons these days, exclusively."

Our humorist does not duck that ever-nettlesome question of defining investment and speculation. This he likens to explaining to the troubled adolescent that Love and Passion are two different things. He senses that they are different, but they don't seem quite different enough to ease his problems. After the proviso that investment-and-speculation have been defined so often and so badly that another faulty explanation should do no harm, and that the science of economics having reached a point where further confusion is impossible, Mr. Schwed offers his own definition as follows:

Speculation is an effort, probably unsuccessful, to turn a little money into a lot.

Investment is an effort, which should be successful, to prevent a lot of money from becoming a little.

Double Entry into Building

By IRA U. COBLEIGH

Enterprise Economist

A consideration of two top drawer companies with distinguished earning, dividend and growth records—The Ruberoid Company and Masonite Corporation.

Today's swift synoptic security searchlight is turned on two companies, serving the building industry, which are quite excellent examples of corporate enterprise at its dynamic best. One company, Ruberoid, specializes more in the roofing end of building construction, while the other (Masonite Corp.) on vertical walls and panels; so joint treatment appears to do no violence to good logic. Further points of comparison would include the facts that (1) both companies are progressive; (2) both companies have less than 1½ million shares outstanding; (3) both pay on the average less than 40% of net in dividends (they plow more than they pay); (4) the shares of both are listed on New York Stock Exchange; (5) both will, in 1955, rack up the largest sales in history; and (6) each is the recognized leader in its field.

Ira U. Cobleigh

The Ruberoid Company

With this joint and general salute to today's "name" companies, let us warm to our task of briskly painting their corporate portraits with a rather broad brush, and an admitted absence of minute detail.

We start with The Ruberoid Company—sort of working from the roof down. Further, Ruberoid is somewhat the larger company, a fact which might reasonably account for discussing it first. It's quite a company with a well demonstrated dedication to certain commendable principles of corporate management and progress. With considerable singleness of purpose, Ruberoid has concentrated, for 69 years, on its basic building market, a concentration which has led it to its present position as the largest manufacturer of asphalt products (mostly roofing paper, roofing and shingles); and second largest producer of asbestos products. The asphalt end turns in around 60% of the total sales volume, and the asbestos section accounts for the main slice of the remaining 40%, with due allowance for lines of paints and lacquers, gypsum wallboard and lath. To the 20 plants running from Hyde Park, Vt., to Salt Lake City, Utah, and from Dallas to Minneapolis, there has been added, within recent weeks, the properties of Lucky Star Roofing Products Corp., and Lucky Star Land and Improvement Co., Colorado firms. Ruberoid is increasing its emphasis on gypsum, having acquired, early this year, about 4,000 acres of gypsum bearing terrain at Shoals, Ind., with some view to a gypsum plant in Indiana a little later on.

With the single exception of 1949, annual net sales have marched majestically ahead from $30.7 million in 1945 to close to $80 million this year; and in the past nine years the predepreciation profit margin has averaged about 16%.

Balance sheet strength has been marvellously maintained, year after year, with a current ratio averaging above 10 to 1 for the last five years. Of the current assets, quick items alone have, in the same period, regularly exceeded current liabilities. Devotion to balance sheet excellence and conservative cash dividend declarations, have provided all the funds required for prudent expansion, from internal sources; and total expenditures on capital improvement, for the decade ended July 1, 1955, have been about $30 million. All this, mind you, without a single bond or preferred stock flotation; and today's capitalization consists merely and solely of 1,479,986 common shares now selling on NYSE at around 36½.

Something too should be said about dividends on Ruberoid. Cash dividends have been paid in each year since 1889, augmented by a 3-for-1 split in 1938; 10% stock dividends in 1948, 1949 and 1950; 5% in stock for 1951/3 and a 2-for-1 split in 1954. Present dividends indicated are $1.60 regular plus 40 cents extra. The whole policy on stock dividends has been rather nicely developed on the basis of delivering to shareholders new stock roughly equivalent to the money that has been plowed back into the property via retained earnings. On this basis, stock dividends at quite regular intervals should be expectable. Current per share for 1955 should run perhaps as high as $3.20. Considerable durability of earning power is derived from the fact that repair and maintenance demand accounts for almost two thirds of current sales volume. An indicated 5% cash yield on a stock possessing the sustained forward motion of Ruberoid should scarcely be ignored.

Masonite Corporation

Our second entry, Masonite, has been contending with a pleasing problem. Although running at full blast capacity, it simply can't keep up with its orders. Masonite is the largest American producer of hardboard, accounting for approximately 75% of total domestic output. While delivering above 50% of sales for construction industry use, Masonite "Prestwood" is extensively used in the manufacture of TV and radio cabinets and furniture.

Production of hardboard from wood fibers stems from three plants; the principal one at Laurel, Miss., accounting for about 60% of sales; a plant at Ukiah, Calif., 30%; and the Marsh Wall Products, Inc. (an almost wholly-owned subsidiary with but a 3% minority interest outstanding) making wall coverings and sidings in a plant at Dover, Ohio.

Naturally, to produce and sell some $55 million in wood products annually, there is need for a reliable, long range supply of raw material. This matter has been prudently attended to by Masonite timberland holdings of 351,000 acres (roughly one fifth of the size of Rhode Island). Of this sizable swath of sawmill fodder, 280,000 acres are in the Laurel area of Mississippi and being held in reserve for future needs. Current raw pine and hardwood for the Laurel plant is being purchased locally. The remaining 70,000 woodland acres are in Mendocino County, Calif. and supply the Ukiah plant with redwood and fir. This western land is estimated to hold a billion feet of these timbers.

Another impressive thing about Masonite is research. This is carried on continuously at the plants, and at a Product Application Laboratory at Naperville, Ill. A number of new products are now being held in abeyance till the company catches up with current orders, while earlier researched items, including perforated board and various coated and laminated products, are now in lively demand.

Postwar sales of Masonite have trebled in the past 10 years, and net profits, too, have advanced impressively. For the fiscal year ended Aug. 31, 1955, net per share on the 1,377,563 shares of common was $4.42, a sizable advance from the $2.67 reported in the previous accounting year. Indicated dividend is $1.50 and there is a history of stock dividends — a 2-for-1 split in 1936 and another in 1950, plus 2% in stock this year. Balance sheet position is excellent and there is but $6,236,805 of debt ahead of the common. Cash dividends have been faithfully paid for the past 19 years, together with the share divisions, recounted above. At 34½, MNC sells at less than eight times earnings, so that investors are asked to pay no fancy market premium for entry here.

These two companies, importantly related to building construction, have many elements of similarity and we hope you find no fault in our bracket treatment of them. Curiously, Masonite is selling near its high for the year, while Ruberoid is only a couple of points away from its low. Neither of these market relationships appears, however, to be too significant a fact in evaluating these equities. Both issues should be considered on their histories, their managements, and their traditionally kind treatment of stockholders, rather than their particular quotations of the moment. To the longer range, or horizontal, type of stock buyer, we suggest further exploration of these values, neither of which, by standard techniques of security analysis, appears inflated.

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Canada: Its Economic Prospects And Its Railway Problems

By DONALD GORDON, C. M. G.*
Chairman and President
Canadian National Railways

After commenting on the strides in Canada's economic progress, Mr. Gordon warns, despite the rosy outlook, his country has not acquired the "Midas touch," and, because of future uncertainties, a Royal Commission has been set up to determine the pattern of Canada's economic development. Stresses Canada's dependence on international trade, and warns that unless U. S. liberalizes its world trade policies, the trade gap with this nation cannot be easily filled. Paints picture of Canadian railway situation.

In talking about Canada to an American audience, I am reminded of the wisecrack which went around not so long ago to the effect that Columbus discovered America in 1492 and America discovered Canada in 1952. That, of course, is untrue, and perhaps a little unkind to both nations. It is true, of course, that in 1952 the spotlight was focused more sharply on Canada, and perhaps some peole in this country saw in our progress the ingredients of a "rags to riches" story. I think, however, it is more accurate to say that our common roots run deeper than uranium mines and oil wells. Our kinship did not find its beginnings in these things. The modes of life and customs of both peoples, the forms of governments, all are essentially similar. The systems of law are based on the same great leading principles, but perhaps the strongest bond, even more enduring than our blood ties, is the pursuit of the common idea, the common principle of the democratic tradition. The lesson of democracy which the United States and Canada demonstrate to the world is all the more convincing when presented in two parts; the vision of freedom is all the more splendid and impressive when it is pictured on two canvases.

Donald Gordon

This common heritage is known well enough, but perhaps not so well known to many in this country is the relationship that Canada maintains with the Crown. Frequently, a source of misunderstanding is the failure to comprehend, or the refusal to accept, the fact of Canada's complete political freedom. The survival of select British patterns in our parliamentary institutions and procedures implies, in no way, any subordination. Canada is able to write its own ticket in constitutional matters and both domestic and foreign affairs are under the independent control of Canadians. In every democratic way Canada is a free nation and master of its own destiny. The monarchy remains as a symbol of our kinship and free association with other members of the British Commonwealth. The Crown remains, as Sir Winston Churchill once said "as the magic link." When Canadians join in singing "God Save the Queen," to the same tune as one of your national anthems, it is really an expression of the fact that Canadians recognize more than one "Sweet Land of Liberty!"

If this situation appears to you to be slightly paradoxical, then more anomalous will seem the unique arrangement under which the Canadian National Railways functions in Canada and elsewhere. This railway organization, the largest on the North American continent and one of the largest in the world, is owned by the State. Its operations may be found in every province of the nation from coast to coast, and in 12 states of the United States. It operates trains, buses, ships and hotels, trucks, telephones and telegraphs. Outside of government itself, it is the largest single employer in the country. Its books show assets at $3 billions and it handles $700 million worth of business annually.

In point of fact, the Canadian National came into being after the First World War as the result of a shotgun marriage between public finance and transportation enterprise. It was fashioned out of a hodge-podge of some 300 corporations. The interesting, strange, and often baffling railway history which formed the sequence of events is more than I could review on this occasion, but I do want to impress on you, in view of what I shall say later on, that the formation of Canadian National Railways did not and does not now in any sense represent a deliberate experiment in socialism. It is an organization directly modelled on that of a private business enterprise and is really an example of the kind of institution that forms part of our democratic way of living on the North American continent.

Among other things, our Canadian philosophy holds that the mechanism of governmental administration was not designed for and is therefore ill-suited to the day to day task of running a large technical organization of the type which is usually found in private business. So it was obvious that it was far more practical to delegate to a group of professional managers the administrative control of the group of railways which by accident came into the ownership of Canada. The "marriage" that I mentioned between public finance and private enterprise, along with the unique courtship that preceded it, by and large has been a happy and successful association not without, of course, the usual domestic difficulties.

The Canadian railroads, it is no exaggeration to say, in lacing a thinly populated country from coast to coast, played a major part in nurturing it from an agrarian dominion to a high ranking industrial power whose voice is listened to at the council table of the world. From a nation that was once essentially a prime producer, Canada has begun to evolve a well-rounded and diversified economy, more sturdy, more balanced, steadily growing in depth.

Strides in the Canadian Economy

Tremendous strides have been made in a few short years. In 1939, for instance, our gross national product was less than six billions, while this year it is heading for a record 26 billions. In late 1953 we slowed down somewhat, as you did, but the foundations of strength were not shaken. I am happy to say that a major downswing did not develop and 1955 reveals the unmistakable signs that the upturn is well advanced. It is expected, for example, that new records will be made by the Canadian construction industry; total capital investment may reach an all-time high of nearly six billions, a gain of 8% over 1954 and approximately 2% over the previous high in 1953. Manufacturing is showing sizable gains over a year ago and the export market for Canadian goods continues to reflect strength. Capital outlays for mining will be up considerably according to recent estimates. All these are indicators of an expanding economy and a good road ahead.

We have, of course, great strength in reserve. Ours is virtually a promised land of natural resources, the surface of which has been hardly scratched. The vast reaches of the north have been explored but slightly, and are almost sure to yield great quantities and varieties of precious metals. We have the largest visible iron ore reserves in the world, the potential for petroleum extends from the Arctic to the U. S., and our timberlands comprise one of the two remaining great forest belts in the northern hemisphere.

However, as I indicated a moment ago, the picture of Canada having suddenly stumbled upon riches that were hitherto unknown and undreamt of has been somewhat overdrawn. Certainly the extent of our forest and farm resources has been known for decades and it was common knowledge even during the 30s that Canada possessed enormous potentials for hydro-electric power. As for production of mineral

Continued on page 28

*An address by Mr. Gordon before the Economic Club of New York, New York City, Nov. 14, 1955.

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What Might be Expected In 1956 Business

By WALTER E. HELLER*
President, Walter B. Heller & Co., Chicago, Ill.

Prominent finance company executive foresees continued high levels of business in 1956, and predicts possible increase in Federal spending should President Eisenhower fail to run for a second term. Holds greater government spending, combined with increased capital outlays of industry, could keep the economy going at its high level, though creating some inflationary trend. Does not look for much change in demand for funds, credit, and basic interest rates.

I want to talk today not as an economist, but as a businessman. In our particular business, that of supplying funds and services—generally on a secured basis—to hundreds of diversified industries, we are privileged to have close contact with our clients. And they feel, as we do, that they sense the economy and its changes more readily than very large corporations do, whose officials are further removed from the firing line. Because of this peculiar situation, we are often called upon for an opinion on the condition of the economy.

Walter E. Heller

I should like to tell first what we felt this condition was likely to be in 1956, if, as had seemed very probable some few months ago, President Eisenhower were re-elected.

Two essential basic supports to our economy in 1955 were the automotive industry, its components and adherents, and the building industry, essentially, the home building phase of it. Bear in mind I am now talking to you as though President Eisenhower and the Republicans were in control of the economy in 1956. We think that appliance and automobile sales, despite the prognostications of the automobile companies, would decline somewhat. The reasons:

Over 700,000 of 1955 models are in dealers' stocks;

Some rise in prices in the autos themselves;

Some restriction in credit terms;

And the fact the average consumer, despite some increase in income, probably would have less to spend on consumer hard goods.

This last is because the consumer's purchase of hard goods in 1955, including of course automobiles, was not alone from 1955 income and not alone from his obligating himself into the future. Installment debt was paid down in 1954 and its rise in 1955 will exceed appreciably the amount paid down in 1954. So the installment buyer must have used part of his credit backlog.

Another contributing reason could well be that part of the demand for hard goods has been satisfied. The normal buyer doesn't buy an automobile, washing machine, air conditioner, refrigerator, freezer and other similar articles every year. We think consumer soft goods buying, food, department store sales, clothing, etc., could continue to rise, based in turn on some larger income and the fact that less money would go into hard goods buying.

We think that consumer home building would decline somewhat, possibly to approximately a million starts—not too heavy a decline. Contributing reasons: higher prices and some restriction in terms.

Life Insurance Funds

During 1955, life insurance companies, and I believe some saving societies, earmarked part of their 1956 available funds toward the purchase of Federal Housing Administration mortgages. So they in turn indulged in instalment buying. This became manifest when large blocks of FHA guaranteed home mortgages were offered. Because life insurance companies found these investments attractive and, in effect, a government guaranteed bond at a much higher rate, they often stated they could not commit themselves for payment immediately. But if a local bank could be gotten to carry this block of mortgages until some time in 1956, the insurance companies would give a firm commitment to the bank to buy the block of mortgages at that time. That comment, of course, was based on the knowledge of their premium or investment income anticipated in 1956.

Another circumstance affecting life insurance company funds is the decline of some government bonds below par. Life insurance companies generally do not have reserves for securities fluctuating in value. Some of their government bonds would show them losses. Were such not the case, some would be sold and the proceeds used in part at least for mortgage commitment at higher rates. It certainly is manifest that if those commitments were given in 1955, the same income cannot be used for additional purchases in 1956.

Higher money rates in other directions become a deterrent to the attraction of mortgages. A strong contributing factor in our opinion is the fact that in many areas, building has been so rapid that fringe area land with the utilities in (such as water, sewerage, streets, which are requisites for securing FHA mortgage commitments) is very scarce. Many a building contractor, to be able to continue to subdivide and build, will have to find the funds for the utilities as well. Such circumstance is bound, in our opinion, to be a marked deterrent.

One other reason that should be mentioned is the report from most areas that starting with the Summer of 1955, buying became more selective and the trend was toward more expensive homes. This was certainly some indication that demand was being more closely filled than before. Those are likely to be the basic contributing factors for some decline in home building. Will the economy decline in 1956, because of lessened activity in these two basic industries? We think not.

We think industrial building and equipment purchase, institutional building for schools and hospitals and road building (perhaps sponsored and partly provided for by a Republican Government to be sure the economy doesn't sag) the increased need for labor saving machines to counteract rising wages, the trend being known as automation—all these could well be contributing factors that would support an

*An address by Mr. Heller before the Tufted Textile Manufacturers Association, New York City.

economic tempo similar to that enjoyed in 1955.

The Farm Situation

One of the difficult situations for the Republicans in the past has been the economy of the farmer. With an election year in 1956, I suppose it is a fair guess that a Republican Government would try to see that farm income was bettered and that the farmer would feel himself less of a step-child than he has in the recent past.

Demand for funds, credit and basic rates we think would stay approximately the way they are today, with some slight seasonal fluctuation and with no appreciable letup in demand. The reasons, in our opinion, are roughly as follows:

The heavy demand that exists for credit probably arises from the combination of increased business tempo, the requirement of plant expansion, machinery improvement and the carrying of larger inventories. Add to these the fact that receivable turnover has somewhat slowed.

In our own portfolio short-term receivables slowed from a 36-day turnover in 1954 to a 47-day turnover in 1955, probably in turn a manifestation of the fact that it takes more money to run a business than it did in 1954. The way these problems have been met probably explains the heavy demand upon the banks.

Very large corporations turned to the public with stock, debentures or long-term issues and provided themselves in that way. Other large corporations, which had carried balances around the country with the bigger banks for years and had never borrowed, appeared at the banks as large short-term seasonal borrowers. Other corporations, which had been seasonal borrowers at the bank, found they were no longer able to clean up and became steady borrowers. And other concerns, some very large but, less worthy of unsecured credit, have turned to companies such as our own and have done secured borrowing in unprecedented amounts. Our own portfolio from September, 1954 to September, 1955, rose 18 or 19%, and I presume could easily have risen 30% had some restraining hand not been put on it. The combination of these circumstances, together with very free consumer credit, probably explains the very heavy loaning ratios that most banks now have. With but little change in tempo, we cannot foresee an appreciable change in these circumstances.

The Banking Situation

Should the demand upon the banks rise in 1956 so that the loaning ratios now existing, which are very high, have a tendency to increase further, it is not unlikely that the Federal Reserve System might relieve the tension and make credit more available through the easing of reserve requirements or operations in the Government bond market. Through these mediums (and some others too, but essentially these mediums), this Administration can have a strong control of the tempo of the economy.

That is about the way the matter looked to us with a Republican Administration and President Eisenhower elected into office for a second term. We felt there would be a buoyancy in the economy and a confidence similar to that manifested in 1955.

What changes have we a right to feel may take place should either a Republican Administration with a President less confidence-inspiring than Eisenhower be elected to office, or should a Democratic Administration succeed in winning the election?

Many people, including businessmen, are imbued with the notion that there is great wisdom in the stock market—that when it rises it means investors have great foresight and anticipate continued or better conditions, and that when it wavers or declines, investors anticipate a change less favorable to business. If such reasoning would bring about a hesitancy on the part of business people to go forward with plans they had visualized for 1956, the tempo of the economy could lessen somewhat and one could expect the Republican Administration still in power during 1956 to bolster the economy. This would probably be done by larger Government spending and some easing of credit, with possibly a decline in the basic rate as a concomitant.

What would happen if the Democrats win? Many industries that had felt the effect of the Republican tariff policy would have to review their position relative to the well established principles of the Democratic regime, which of course are at variance with Republican policy. The same would be true in relation to basic farm produce subject to Government support, the Democrats being committed to a firm support price related to parity. Basic raw materials under those circumstances could well be expected to rise. Some industries, anticipating marked changes in Government spending, would perhaps feel there were adjustments to be made.

We think, that as a consequence, if a hesitancy or a fear psychosis begins to work its way into industry's thinking, loosening credit and rising prices, meaning, of course, a strongly inflationary trend, would be much more likely to appear in our economy.

The opinions expressed are of course our own. As stated to you, I have tried to express our thinking in businessmen's terms and I have tried to state why we feel as we do. I am sure, and it is to be expected, that a great many listeners will be at variance with these viewpoints; time of course will tell as to whether they approximate the trend. I hope in any case they may be helpful to the extent of riveting your attention upon possible changes so that you may be guided thereby.

Cleveland Analysts Announce Program

Cleveland Society of Security Analysts has announced the following Program Schedule for 1955-56:

December:	Subject:	Speaker:
Wednesday, 7th	Joy Manufacturing	J. D. A. Morrow, President
Wednesday, 14th	Clevite Corp.	William Laffer, President
Tuesday, 20th	Northern Ill. Gas	M. Chandler, President
Week of 26th	No Meeting	
January:		
Thursday, 5th	U. S. Gypsum	C. H. Shaver, Chairman
Wednesday, 11th	Gt. Lakes St. L. Ass'n	N. R. Danielian, President
Wednesday, 18th	W. R. Grace, tentative	John D. J. Moore
Wednesday, 25th	Burroughs	Kenneth Tiffany, V.-P., Fin.
February:		
Wednesday, 1st	McGraw Electric	J. Large, Secretary-Treas.
Wednesday, 8th	Emerson Electric	W. R. Persons, President
Wednesday, 15th	Square D	F. W. Magin, President
Tuesday, 21st	Intl. Tel. & Tel.	Gen. W. H. Harrison, Pres. Leonard Jacobs, II, V.-P.
Wednesday, 29th	Am. Res. & Devel.	General Doriot
March:		
Wednesday, 7th	Natl. Distil. Prods.	John E. Bierwirth, Pres.
Wednesday, 14th	Harris-Seybold Corp.	George S. Dively, Pres.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue November 30, 1955

$25,000,000

Union of South Africa

External Loan Bonds of December 1, 1955

$3,000,000 Three Year 3⅞% Bonds, due December 1, 1958
$3,000,000 Four Year 4 % Bonds, due December 1, 1959
$2,000,000 Five Year 4⅛% Bonds, due December 1, 1960
$17,000,000 Ten Year 4¼% Bonds, due December 1, 1965

Prices:

100% for the Three Year Bonds
100% for the Four Year Bonds
100% for the Five Year Bonds
98½% for the Ten Year Bonds
plus accrued interest from December 1, 1955

Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

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The First Boston Corporation **Kuhn, Loeb & Co.**

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Lazard Frères & Co. **Lehman Brothers** **Merrill Lynch, Pierce, Fenner & Beane**

Smith, Barney & Co. **Stone & Webster Securities Corporation** **Union Securities Corporation**

White, Weld & Co. **Hallgarten & Co.** **Lee Higginson Corporation**

Salomon Bros. & Hutzler **Swiss American Corporation**

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Energy Review—New booklet—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Atomic Fusion Confusion—Quarterly report containing commentary on fusion, thorium, and uranium oversupply—atomic map also available—both contain portfolio as of Sept. 30, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Auto Parts Industry—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is an analysis of **Western Pacific Railroad.**

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

Japanese-U. S. Taxation Conventions — Analysis — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue "Nomura's Investors Beacon" are discussions of **Bank Rates**, and analysis of **Business Results and Outlook**, and analyses of **Mitsui Chemical Industry Co., Ltd., Sumitomo Chemical Co., Ltd., Tokyo Gas Co., Ltd.,** and **Tokyo Electric Power Co., Ltd.**

Monthly Investment Letter—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Municipal Market—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

New York City Bank Stocks—Outlook—First Boston Corporation, 100 Broadway, New York 5, N. Y.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Penny Stocks Worth Dollars in tax savings—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Philadelphia Bank Stocks—Comparison of 11 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Yields of 5-6%—Bulletin—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

* * *

ACF Industries—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Symington Gould** and **Westinghouse Airbrake.**

American Smelting & Refining Co.—Memorandum—Talmage & Co., 111 Broadway, New York 6, N. Y.

Atlas Credit Corporation—Bulletin—George A. Searight, 115 Broadway, New York 6, N. Y.

Automation Engineering Corporation — Bulletin — Daniel D. Weston & Co., 140 South Beverly Drive, Beverly Hills, Calif.

Avien, Inc.—Bulletin—Denver Securities, Inc., 711 Seventeenth Street, Denver 2, Colo.

Basic Atomics, Inc.—Circular—J. F. Reilly & Co., Inc., 42 Broadway, New York 4, N. Y.

Canadian Pacific Railway Company—Investment study—Burns Bros. & Company Limited, 44 King Street, West, Toronto, Ont., Canada.

Canadian Pacific Railway—Memorandum—Sarnoff & Co., 65 West 44th Street, New York 36, N. Y.

Clark Oil & Refining Corporation—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Hycon Manufacturing Company** and analyses of **Modine Manufacturing Company** and **Hagan Corporation.**

Consolidated Uranium Mines, Inc.—Memorandum—Tellier & Co., 1 Exchange Place, Jersey City 2, N. J.

Dayton Rubber Company — Analysis — Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

C. A. Dunham Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **I T E Circuit Breaker Company.**

Fairmont Foods Company—Analysis—Daniel F. Rice and Company, 141 West Jackson Boulevard, Chicago 4, Ill.

Gabriel Company—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available are a bulletin on **U. S. Vitamin Corporation** and a reprint of an address on **Compo Shoe Machinery Corporation** before the New York Society of Security Analysts.

General Gas—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Glasscock Tidelands Oil Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Guaranty Trust Co. of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Lisbon Valley Uranium—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

Morris Paper Mills—Memorandum—William A. Fuller & Co., 209 South La Salle Street, Chicago 4, Ill.

New York Air Brake—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Nippon Rayon—Analysis in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 6, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available in the same issue is an analysis of **Toa Gosei Chemical Industries.**

Northeastern Turnpike—Progress report—De Leuw, Cather & Company, Farm Bureau Building, Oklahoma City 5, Okla.

Northern States Power Company — Annual report — Northern States Power Company, Minneapolis 2, Minn.

Quebec Chibougamau Goldfields, Limited—Analysis—John R. Boland & Co., Inc., 30 Broad Street, New York 4, N. Y.

Radio Corporation of America—Table of related values—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a table of related values of **Wheeling Steel Corporation**, and card memoranda on **Unilever M. V.** and **Bowater Paper Corporation.**

Riverside Cement Co.—New views—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rockwell Spring & Axle—Analysis—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

St. Croix Paper Company — Analysis — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Sonoma County Flood Control & Water Conservation District Coyote Valley Dam Bonds — Circular — Bank of America, N. T. & S. A., 300 Montgomery Street, San Francisco 20, Calif.

South Carolina Electric & Gas—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also available in the same issue are data on **H. J. Heinz** and **Clevite Corporation.**

Swift & Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Transamerica Corp.—Bulletin—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Yale & Towne Manufacturing Co.—Bulletin—Reynolds & Co., 120 Broadway, New York 5, N. Y.

Leeds Mitchell With Paine, Webber Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Leeds Mitchell is associated with Paine, Webber, Jackson & Curtis, 209 South La Salle Street. Mr. Mitchell in the past was a partner in Shearson Hammill & Co.

Conrad V. Schmitt has also been added to the firm's staff.

Lamson Bros. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Kenneth H. Daegling has been added to the staff of Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

With Tullis, Craig

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Robert Morrison is with Tullis, Craig & Bright, Marine Building, members of the New York Stock Exchange.

Joins P. de Rensis

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Vincent D. Pagano is now connected with P. de Rensis & Co., 126 State Street. Mr. Pagano was previously with New York Hanseatic Corporation and Eastern Securities Inc.

Eastern Securities Adds A. Oldaker

Eastern Securities, Inc., 120 Broadway, New York City, announced that Alfred Oldaker is now associated with them in their Trading Department.

Mr. Oldaker was formerly with J. F. Reilly & Co.

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Aline C. Powers has joined the staff of Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Roland H. Webb is now affiliated with Investors Planning Corporation of New England, Inc., 68 Devonshire Street.

Joins Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard R. Holechek has joined the staff of California Investors, 3924 Wilshire Boulevard. He was previously with J. Logan & Co.

COMING EVENTS

In Investment Field

Nov. 27-Dec. 2, 1955 (Hollywood, Florida)
Investment Bankers Association annual Convention at Hollywood Beach Hotel.

Dec. 2, 1955 (New York City)
Security Traders Association of New York Annual Meeting at the Bankers Club.

Jan. 27, 1956 (Baltimore, Md.)
Baltimore Security Traders Association 21st annual Mid-Winter Dinner at the Southern Hotel.

Jan. 30, 1956 (Chicago, Ill.)
Bond Traders Club of Chicago annual dinner at the Drake Hotel.

Jan. 30, 1956 (Chicago, Ill.)
National Security Traders Association National Committee Meeting at the Drake Hotel.

March 2, 1956 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual dinner at the Bellevue-Stratford Hotel, with a luncheon and reception to be held at 12 noon.

Oct. 24-27, 1956 (Palm Springs, Calif.)
National Security Traders Association Annual Convention.

Nov. 3-6, 1957 (Hot Springs, Va.)
National Security Traders Association Annual Convention.

Callahan to Be Richards Partner

PITTSBURGH, Pa.—On Dec. 8, Robert B. Callahan will be admitted to partnership in Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges. Mr. Callahan is manager of the firm's municipal department.

Hyde, DiMarco Formed

SYRACUSE, N. Y.—Hyde, DiMarco, Rothman & Leveen is engaging in a securities business from offices at 3000 West Genesee Street. Partners are Jerome Hyde, Merving Rothman, Alfred F. DiMarco and Leonard Leveen.

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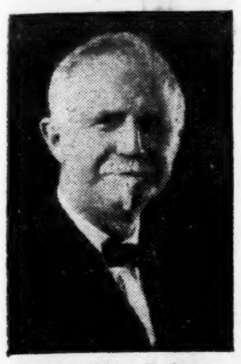
Insurance Stocks

By ROGER W. BABSON

Mr. Babson holds, next to certain good chain store stocks, insurance stocks present the best opportunity to investors for security, growth and income, provided there is no foolish government interference with them. Gives list of insurance companies and their relative investment positions.

Next to certain good chain store stocks, I believe that insurance stocks present the best opportunity to investors for a combination of security, growth, and income, provided the government does not foolishly interfere with the business.



Roger W. Babson

Fire and casualty insurance stocks selling substantially below their estimated equity values should meet these three requirements. I do recognize that these stocks have gone up much during the past several years (along with the general run of good issues) because of their increase earnings, increased dividends and higher equity values. I also know of the unusual losses most of these companies have suffered as a result of hurricanes.

An examination of fire and casualty stocks, however, shows that, based upon the distribution of funds in their investment portfolios and that selected stocks in this group can now be bought at substantial discounts below their equity values, the risks are relatively small.

Different Insurance Stocks Compared

As every reader of this column should have fire, casualty, and life insurance stock in some company, he should perhaps first buy the stock of the companies of which he holds a policy. Investors, however, who have surplus funds may like my ideas as listed in the accompanying table.

Premium Rates and Earnings

The long, unbroken dividend record of these stocks through periods of good times, depressions, wars, great fires, and other national disasters appeals to me. This certainly attests to the soundness of the insurance business as well as to the soundness of the individual companies. The growth of equity values in insurance stocks over the years is evidence of the need for ever-increasing amounts of insurance sold. The increase in population could offset the unfavorable effect of inflation.

Fire insurance rates are established by state regulatory bodies on the basis of a continuing five-year average of the loss experience. Rates are set so that the insurance industry as a whole is able to make a fair return on the business handled.

Investment Trusts

Insurance companies usually have the diversification and supervisory advantages of investment trusts or mutual funds; but in addition, have the insurance business profits. The funds of insurance companies consist of two major portions. First, there is the reserve which is set up against unearned premiums. This reserve is usually in highly liquid, high-grade assets which are quickly available on demand.

The second part of the insurance companies' portfolio consists of what may be described as the stockholders' equity, which serves as a kind of additional guarantee fund to protect policyholders and stockholders. How this fund is managed, as regards type of investment, depends somewhat upon the kind of insurance written. The longer the term of the contract and the greater the reliance upon the law of averages working out in a particular kind of insurance, the greater the term that the capital funds may be invested.

Other Reasons Why I Like These Stocks

Most insurance stocks actually have more money working for them than the market prices of the issues show. Over and above this inherent element of strength — protection against a sudden turnaround in the long bull market for common stocks—the above nine companies have been selected because of the excess of admitted-asset book values over current market values of the company shares, even though they must pay 20% tax on the income from their investments.

Further reasons are: (1) In addition to investment earnings retained by the companies, net earnings on underwritings are usually plowed back into the business, (2) Good insurance stocks deserve to sell at a time-earnings ratio somewhat higher than is usual for other types of companies, and (3) Because of the lag in premium rate raises, insurance stocks are a logical form of post-inflation investment.

Use of Non-Flammable Materials

Great progress has been made in preventing loss of life and property since Mrs. O'Leary's cow kicked over the lantern and burned Chicago to the ground! The first step was the inventing of a fire alarm system by John N. Gamewell of Newton, Mass. He was burned out in Chicago. Returning East, he interested Boston in the fire alarm idea. After getting these municipal fire alarm systems in the country's leading cities, the fire chiefs turned their attention to sprinkler systems under the leadership of George I. Rockwood of Worcester, Mass., of which company Wm. J. Carroll is now President.

As statistics were beginning to show that almost as many were being killed by automobiles (with corresponding losses to insurance companies) as by fires, the Gamewell laboratories worked upon traffic lights. With factories at Moline, Ill., they, under the leadership of Matthew Porosky, are spending millions to reduce life and accident losses from automobile accidents. Now the whole army of fire chiefs are urging the increased use of non-flammable furniture and textiles with the hope of preventing or stopping fires at their source.

Fire Losses Too High

Notwithstanding the marvelous work that Gen. Mgr. Vincent of the National Board of Fire Underwriters is doing to lessen fire losses, these losses continue to climb. The official statistics show that over 26% of the fires reported from known causes are believed to be due to smoking and matches. This board has a tremendous uphill task to compete with the cigarette advertising.

Without interfering with this advertising, the fire insurance companies should supply the board an equal amount of money to spend on newspaper advertising **to prevent fires**, as the tobacco people spend on advertising. When the insurance companies provide such funds, you will see the fire losses per home begin to decline. The above hope is another reason why I am bullish on good fire and accident insurance stocks for the long pull, although these stocks may decline with the general market.

Company	Some Div. Pd. Ea. Yr. Since	Ind. An. Div.	Recent Price	6/30/55 Net Worth or Equity Per Share	Ratio: Price to Est. Investment Earnings
Agricultural Ins.	1864	$1.60	37	$64	18½
Fire Assoc. of Phil.	1858	2.20	58	89	16½
Firemen's (Newark)	1937	1.20	41	69	12
Great American Ins.	1873	1.50	39	61	15
Hanover Fire Ins.	1853	2.00	48	75	16½
Home Insurance*	1874	2.00	51	78	20½
Nat. Union Fire	1934	2.00	46	71	16
New Amsterdam Cas.	1937	1.80	56	82	16½
Springfield Fire & Ma.	1867	2.00	65	104	18½

* I have invested my hard-earned savings in the Home Insurance Company, of which I was once a director. I have learned first-hand the high character of their officers and management.

Reynolds & Co. Will Admit Cook to Firm

Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Dec. 8 will admit Donald F. Cook to partnership.

With Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Leonard D. Dodge has joined the staff of Ross, Borton & Simon, Inc. The 1010 Euclid Building.

Honnold Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Marshall B. Hatfield has become affiliated with Honnold and Company, Inc., 524 Seventeenth Street.

Tifft Bros. Merge With Shearson Hammill

SPRINGFIELD, Mass. — Shearson, Hammill & Co. has acquired the business of Tifft Brothers, old New England investment firm, and will operate the latter's offices in Springfield, Mass. and Pittsfield, Mass. under the Shearson, Hammill name. Both firms are members of the New York Stock Exchange and other security exchanges. Partners and personnel of the Tifft firm will continue with the organization.

With the newly acquired offices Shearson, Hammill & Co. increases the number of its offices to 22, located across the country and in Canada.

With Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Donald W. Mead is now associated with Livingston, Williams & Co., Inc., Hanna Building. He was formerly with Gottron, Russell & Co. and Ball, Burge & Kraus.

This is not an offering of the Debentures for sale, or a solicitation of an offer to buy any of such Debentures. The offering is made only by the Prospectus.

NEW ISSUE *November 30, 1955*

$10,000,000

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PRICE 100%

PLUS ACCRUED INTEREST FROM DECEMBER 1, 1955

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From Washington Ahead of the News

By CARLISLE BARGERON

Insofar as appearances go, there are few happier retired men in the country today than Harry S. Truman, former President of the United States. His daughter, whom he adores, is a successful radio and TV performer. The old man spent a day not long ago autographing his book, "Hours of Decision," and finds himself in demand at Democratic gatherings.

Carlisle Bargeron

At slightly past 70, having come up from the bottom to reach the highest estate which the American people can give a fellow citizen, he is far from a has-been in retirement. Democratic politicians seek his advice or at least his favor. He likes to travel and to talk and to give this advice.

You get the impression that the old man is getting quite a kick cut of life and most people, whether for or against him politically, are glad of this.

But in political Washington there is wonderment why he pushed Adlai Stevenson into an open Presidential race so soon. You must think that he was quite sincere. Adlai was his man in 1952 and Mr. Truman became quite annoyed when Adlai continued to act coy and let the Democratic National Convention "draft" him. There was never much doubt about Adlai's coyness in that Convention or that he would be "drafted."

This lack of frankness seemed to disturb Mr. Truman at the time. He set about this year to see that there would be no more of this hypocrisy. He told Adlai, and firmly, that he should announce now.

You can't escape the impression that Mr. Truman was determined to have his advice accepted by way of showing that he hadn't lost his influence. It was the price put upon his support of Adlai.

Well now, Adlai is out in front. He is the only announced candidate on the Democratic side, or for that matter, the Republican. The opposition, within and without his party, has many months in which to ferret out and exploit his every weakness.

New York's Governor Harriman has already opened a frontal attack on Adlai's professed moderation. Senator Estes Kefauver has all but announced that he is again a candidate and will enter primaries against Adlai.

In the cynical political circles of Washington, Harriman is considered as being taken for a ride by the wily politicians surrounding him. With his wealth, he is looked upon as a gold mine for politicians who want to enrich either their own coffers or those of their organization. What can't be escaped, though, and what Harriman undoubtedly realizes, is that these politicians made him the Governor of the greatest State in the world.

Kefauver's ambitions are far more fantastic. Just why he should think he has a chance is one of the political mysteries. Assuming he is of towering national stature, which he isn't, he is from a Southern State and the Democrats have not, since the Civil War, gone South for their candidate, figuring they had the South in the bag. Not only this, Kefauver, a Southerner, would be about the most unpopular man from the Southern viewpoint the Democrats could pick.

Kefauver and his friends base their chances upon the delegate strength he produced at the Chicago National Convention in 1952. Kefauver had become a great household name because of his so-called exposures of gamblers on TV. He then went out into several primaries uncontested and rolled up a sizable delegate vote. He won these primaries because he was uncontested and the reason he was uncontested was that the Democratic leaders never intended to nominate him and saw no reason why they should bestir themselves in the fun Kefauver was having.

But you now have the situation of where Adlai is an avowed candidate and Kefauver is likely to be an avowed candidate against him soon and Harriman and all the others will be shooting at him from now on.

Out of the confusion watch out for Senator Stu Symington of Missouri. He is another darling of the rich but about as much of a New Dealer as Harriman. Several months ago his name was often being mentioned in Washington. Congress hasn't been in session since last mid-summer. Wait until it comes back and you will hear more of Symington and you will see more of his acting up with a view to getting plucked.

Two With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Hugh R. Carter and William C. Crane, Jr. have become affiliated with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

With Allen Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

BOULDER, COLO. — Howard M. Faulkner is now with Allen Investment Company, 1921 Fourteenth Street.

W. V. Cadmus Opens

NEWARK, N. J.—William Van R. Cadmus is conducting a securities business from offices at 9 Clinton Street.

With Shelley Roberts

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Clarence E. Wicks has joined the staff of Shelley, Roberts & Co. He was formerly with Coombs & Company.

Joins A. & C. Realty

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — James L. McHugh has become affiliated with the A. & C. Realty and Investment Corporation, Shirley Savoy Hotel Building.

R. J. Connell Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Robert J. Paul is now associated with Robert J. Connell, Inc., 818 Seventeenth Street.

N.A.S.D. District No. 8 Announces Elections

CHICAGO, Ill.—The election in District No. 8 of the National Association of Securities Dealers, Inc., resulted in one new member on the Board of Governors, three new members on the District Committee and re-election of one member for a full term.

Newton P. Frye

The new Board member is Newton P. Frye, Chairman of the Central Republic Company, Chicago. Mr. Frye succeeds to the place of George F. Noyes.

The newly elected members to District Committee No. 8 are:

Robert J. Hovorka, Vice-President and Manager at Chicago, The First Boston Corporation; Theodore C. Henderson, President, T. C. Henderson & Co. Inc., Des Moines, Iowa; Howard C. Morton, Partner, McMaster Hutchinson & Co., Chicago, Ill.

The foregoing succeed Arthur S. Grossman, John D. McHugh and Alfred R. Kramer whose terms on the District Committee will expire.

Robert H. O'Keef, President, The Marshall Co. of Milwaukee, has been re-elected for a full term. He presently is completing an unexpired portion of a term vacancy.

All terms for those elected are three years and commence Jan. 16, 1956.

The states of Illinois, Iowa, Indiana, Michigan, Nebraska and Wisconsin comprise District No. 8 of the Association. Mr. Frye will be one of the representatives on the national board from this District and the others will hold office in this area of the Association.

Two With FIF Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Jess C. Christenson and William F. Owens have joined the staff of FIF Management Corporation, 444 Sherman Street.

With Greenberg, Strong

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Iran M. Emeson and Lorne N. Wilson have been added to the staff of Greenberg, Strong and Co., 1700 Broadway.

Joins Hamilton Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Melville R. Mullen is now with Hamilton Management Corporation, 445 Grant Street.

Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Harry K. Arnold has been added to the staff of Thomson & McKinnon, Shoreland Building.

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — Donald B. Chapman is now with Beil & Hough, Inc., 350 First Avenue, North, members of the Midwest Stock Exchange.

John B. Amos Opens

COLUMBUS, Ga.—John B. Amos is engaging in a securities business from offices in the Swift Building.

NSTA Notes

GEORGIA SECURITY DEALERS ASSOCIATION

At a recent meeting of the Nominating Committee, composed of Lex Jolley, The Robinson-Humphrey Company, Chairman; Jack Morris, Norris & Hirshberg; J. W. Means, Courts & Co.; R. C. Mathews, Jr., Trust Company of Georgia; and J. S. Budd, Jr., Citizens & Southern National Bank, the following were unanimously nominated to be officers of the Association for the year 1956:

President—James B. Dean, J. W. Tindall & Company.

Vice-President—Justus C. Martin, Jr., The Robinson-Humphrey Company, Inc.

Secretary-Treasurer—Edward R. Adams, Clement A. Evans & Company, Inc.

James B. Dean

Justus C. Martin, Jr.

The following were nominated to serve on the Executive Committee for the same period:

Robert E. Lee, Wyatt, Neal & Waggoner, Atlanta, Ga.

W. Hugh Blackwood, Citizens & Southern National Bank, Atlanta, Ga.

Frank E. Taylor, Fulton National Bank, Atlanta, Ga.

Frank A. Chisholm, Varnedoe, Chisholm & Company, Savannah, Ga.

According to the constitution and by-laws of the Association, any other five members of the Association may make nominations for the officers and must announce their nominations to the Secretary-Treasurer not later than one week prior to the annual election which has been set for Dec. 9 in the Grill Room of the Capital City Club.

The business meeting and election of officers will start at 5:30 p.m., followed by cocktails and dinner. Reservations should be made not later than Dec. 5. Reservations should be made to Jackson P. Dick, Jr., Beer & Company.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold their annual dinner on March 2, 1956, at the Bellevue-Stratford Hotel, at 7 p.m., with a luncheon and reception to be held at 12 noon.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago, Inc., will hold its Annual Dinner at the Hotel Drake on Jan. 30. The dinner is preceded by the meeting of the National Committee of the NSTA and an intercity bowling match.

NATIONAL SECURITY TRADERS ASSOCIATION

The National Committee of the National Security Traders Association will hold their Regular Meeting on Jan. 30, 1956, at the Drake Hotel.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their 21st Annual Mid-Winter Dinner on Jan. 27, 1956 at the Southern Hotel.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of Nov. 17, 1955, are as follows:

Team	Points
Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten	37
Krisam (Capt.), Farren, Clemence, Gronick, Flanagan	31½
Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson-Smith	30½
Growney (Capt.), Define, Alexander, Montanye, Weseman	29½
Manson (Capt.), Jacobs, Barrett, Siegel, Yunker	29
Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan	29
Leinhardt (Capt.), Bies, Pollack, Kuehner, Fredericks	28
Donadio (Capt.), Brown, Rappa, Seijas, Demaye	27
Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter	24½
Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg	22
Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss	22
Topol (Capt.), Eiger, Nieman, Weissman, Forbes	20

5 Point Club

W. Krisam
Hoy Meyer

200 Point Club

Dawson - Smith	209
Jack Barker	202
Paul Fredericks	200
Giles Montanye	200

Prize Winners For Turkey

Russ Yunker	423
Hank Gersten	409
Barrett	406
Bob Topol	405

Basic Principles of Reserve's Monetary and Credit Policy

By EDWARD E. EDWARDS*
Professor of Finance
School of Business, Indiana University

Prof. Edwards describes the functions and operations of a central bank — as represented by our Federal Reserve System — in controlling credit and the money markets. Points out, in today's tight money market, the Federal Reserve could take action to ease the situation, but for obvious reasons, has chosen not to do so. Contends Federal Reserve cannot hold down the expansion of home mortgage debt by making money markets tight, but such objective could be obtained by it with the cooperation of other Government agencies.

I have been asked to review briefly what the Federal Reserve System is trying to do in the current business situation, to explain what effects these actions are supposed to produce in the money markets, and finally to attempt an evaluation of the controls available to the Fed in terms of the objectives sought. What I have to say, if I do my job well, will set the stage for the discussion that will follow. For that reason, I will make no reference whatever to the Federal Home Loan Bank System although I will have something to say about home mortgaging lending.

Prof. E. E. Edwards

First of all, let's agree that under our present laws and system of government, the Federal Reserve System is responsible for using its powers to maintain economic activity at a high level, with a minimum of inflation. To understand what the Fed is trying to do we must recognize that the Fed will be blamed for any inflation that develops, or for any downturn that may occur in business activity. If by any chance our current prosperity should develop into a "boom and bust" situation, stimulated on the upside by rapid credit expansion and on the downside by excessive liquidation, we would all hold the Federal Reserve responsible.

What would you do if you had this responsibility? What would you be doing right now when the record of the economy shows full employment, upward pressure on prices, and rapidly increasing personal and business debt? Wouldn't you try to keep the boom from getting out of hand? Wouldn't you be disturbed by the heavy borrowing for inventory accumulation?—for purchase of automobiles on the most liberal terms we have ever known?—for the purchase of common stocks at the highest prices ever recorded?—for the purchase of homes when the present home mortgage debt is nearing $100 billion?

I believe that any of us, if we were members of the Board of Governors, would be trying right now to hold the boom in check and thus prolong it and prevent a disastrous liquidation after the boom runs its course. Whether we would or not, however, I think we can agree that this is what the Fed is trying to do, and that the Board of Governors has widespread support of its policies.

Central Bank Control of Money Markets

Fundamentally, a central bank has only one way of controlling the money markets. That is to make reserves available to commercial banks and to take reserves away from the banks. Because commercial banks are such a dominant force in our money markets, the effect of central bank operation in the commercial banks is expected to spread quickly to other financial institutions, over which the central bank has no direct control.

Let's see how it works. Suppose that all banks are fully loaned up, that is, they have no available funds over and above their legal reserve requirements. In such a situation, there can be no expansion of bank loans.

Now let's assume there is an increased demand for loans. Unless the central bank takes some action, interest rates will rise and the price of bonds will fall. Theoretically, interest rates will rise until the higher cost of borrowing reduces the demand for loans to a point where new loans balance with repayments of old loans.

This, of course, could prevent the expansion of credit actually needed to keep the economy rolling, thus bringing a downturn in business activity. For that reason, the central bank—in this country the Federal Reserve—may decide that some expansion is desirable. By making additional funds available to the banks, interest rates can be held in check and needed loans can be made.

How does the Fed make additional funds available? Usually in any one of three ways—by loaning money to the banks, by reducing the legal reserve requirement (thus converting legal reserves into excess or available reserves), or by purchasing government bonds. (The purchase of bonds increases bank reserves no matter from whom the Fed buys. Since it pays by check drawn on a Federal Reserve Bank, the seller of the bonds deposits the check in his bank which in turn deposits the check with its Federal Reserve Bank).

What Can Be Done in Tight Money Market

In today's money market which is tight, the Fed could, if it wished, encourage banks to borrow by lowering the discount rate at the various Federal Reserve banks. It could reduce legal reserve requirements. It could buy government bonds. If it did these things, banks would have plenty of money to loan, interest rates would fall, and bond prices would rise. All demands for loans could be met and we could be off on our merry way to the biggest credit expansion of all times. But the Fed has chosen to raise discount rates thus discouraging banks from borrowing; to keep legal reserve requirements at present levels, and to buy only that amount of government bonds which will keep the money markets tight, but not too tight.

I believe we can see now that interest rates hold a very important place in the central bank's control powers. Rising interest rates are supposed to weed out the less desirable loans, and to discourage the use of borrowed funds for speculation rather than productive purposes. Unfortunately, this doesn't always happen. Let's consider 1928 and 1929. The Fed at that time wasn't too liberal in making reserves available to the banking system. Interest rates were high and the growing demand for collateral loans to play the stock market forced rates to 12, 15, and even 19%. Since speculators didn't care about rate, the result was that available funds flowed into speculative channels and credit needed for basic expansion of the economy was shut off. As a consequence, 1929 will always be remembered as a year of speculative boom, followed by the biggest bust of all time.

No one wants this to happen again. Nor does the Fed think it can prevent it just by exercising its basic weapon of controlling bank reserves. We now have a "direct" control over collateral loans, and the Fed has the power to set margin requirements, not not only for loans made by banks but for loans made by brokers. These are now 70% but they have been a 100% and could be again, which would mean that no collateral loans could be made at all for purchase of stocks.

The Federal Reserve and Home Mortgage Debt

This might be a good spot for me to suggest that if the Fed cannot hold down the expansion of home mortgage debt merely by making money markets tight, Congress may again give the Fed the power to control mortgage lending terms just as it did in the Korean War. I don't want to say that, however, because I believe that the Fed could accomplish its objectives without such direct controls, assuming cooperation from other government agencies. Here's why.

In the first place, the demand for mortgage money is not basically speculative. Higher interest rates do tend to restrict both the purchase of existing homes and the construction of new homes. More important, the demand for mortgage money probably would not equal the repayments on existing loans except for the stimulation by government insurance and guarantee of loans with very liberal terms.

Here we find the greatest paradox in the whole field of government controls over the money market. The Federal Reserve controls the supply of funds in the money market, and FHA and VA control the demand.

All too often the three agencies have not cooperated very well. More recently, however, their policies have been somewhat more consistent, the best example being the increase in down payments and the shortening of maturities last summer at a time when money markets were being tightened.

I have yet to see, however, much if any use of the most effective controls the FHA and VA have. If we are concerned as a matter of national policy with the rapidly mounting debt on homes, and are afraid of a subsequent period of liquidation and foreclosure, why don't the FHA and VA tighten up on their appraisals, their standards of design, construction and location? Why leave control to a tight money market in which there is little assurance that funds will flow either to the better credit risks or in the direction of better designed, better located and better constructed houses? Any one who knows anything at all about the insured and guaranteed mortgage market knows that funds aren't allocated to any greater extent on the basis of merit. Why should they be when Uncle Sam has insured the risk?

Conclusions

My conclusions thus are that except for the insured and guaranteed mortgage market, Federal Reserve policy can be effective in controlling credit expansion. Tight money will restrict the funds going into mortgages, and if mortgages aren't insured or guaranteed, lending institutions will, for their own protection, direct their funds into the better risks.

Since risk is a minor factor in insured and guaranteed mortgages, tight money offers little assurance that funds going into these mortgages will be placed most advantageously for our long run economic development. Further governmental controls on mortgage credit are not suggested, however, since the FHA and VA have all the power needed to accomplish this objective. Whether they have the necessary judgment and freedom from political pressure, I do not know.

Nor, for that matter, do I know that the objective itself is a desirable one. Perhaps the Fed is overly concerned about the rising home mortgage debt. However, I was asked to explain what the Fed is doing, not to give my views on what it might be doing. My point is *this:* If the Federal Reserve is trying to restrict credit, the FHA and VA ought to help, not hinder. They should at least be as good citizens as the Federal Home Loan Bank Board.

*Remarks made by Professor Edwards at the open meeting of the Committee on the Federal Home Loan Bank System, United States Savings and Loan League, Miami Beach, Florida, Nov. 7, 1955.

Goldman, Sachs Will Admit New Partners

On Jan. 1, Miles J. Cruickshank, L. LaVerne Horton, John L. Weinberg and John C. Whitehead will be admitted to partnership in Goldman, Sachs & Co., 30 Pine Street, New York City, members of the New York Stock Exchange.

Burnham & Co. Admits Three New Partners

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Joseph Kirchheimer, Michael Schneider and Robert E. Linton to partnership.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

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November 29, 1955

The Mortgage Market—Today and Tomorrow

By MILES L. COLEAN*
Washington, D. C.

Commenting on the current "lush year" of the mortgage market, Mr. Colean finds cause for the recent government credit restrictions to be the unusually heavy resort to bank credit, and, because of this, the mortgage market had made itself unusually vulnerable to shift in monetary policy. Says that rigors may be softened. Reviews recent policies of lending agencies, and says the policy decisions that will be made within next few months will be crucial. Sees need for realignment of short- and long-term credit terms.

The mortgage market is said to be in trouble. Bank loans for carrying a mortgage account are hard—some would say impossible—to get. Mortgage companies, caught with loans for which no permanent financing had been arranged, are having to pay painful discounts to portfolio lenders. Some savings institutions have had to sell mortgages in order to get funds to meet commitments. Down payments and maturities being asked by lenders are much tougher than required by the regulations. Construction money is scarce. Advance commitments for next year's building are as scarce as trees on Park Avenue. Uncertainty clouds the future and builders are filled with apprehension.

Miles L. Colean

All this certainly looks like trouble. But it is a peculiar sort of trouble. It is the sort of trouble that can come only to a richly fed—perhaps an overfed—market. It is a kind of monetary heartburn that results from forced feeding of long-term loans temporarily beyond the absorptive capacity of long-term savings. We are going through a period of digestion, and there isn't anything to do but go through with it, although at this time a little economic bicarbonate of soda would be admittedly welcome.

The mortgage market has never had such a lush year as this one. It is a year that has had to be lived through to be believed. Certainly, as we approached its threshold 11 months ago, no one that I know of predicted so rapid or so fulsome an advance as we have experienced. Here are just a few of the aspects of this expansion that bear on the mortgage situation.

Although the number of new houses started will be a little short of the record, it will, at about 1.3 million, be a good second best, and the dollar volume spent in getting it built, at around $14.6 billion, will be the highest ever. New private construction of all types will be at an all-time high: $29.5 billion, or 14% more than in 1954. Public construction will also top previous records, the whole coming close to $42 billion.

Mortgage recordings are running 34% above last year. Recordings in August were at an all-time high for any month; and the year will probably ring up a total close to $30 billion. Life insurance company investment of all kinds was more than 10% ahead of 1954 for the first eight months. Their nonfarm mortgage acquisitions, at $3.8 billion so far, were 30% ahead. Savings and loan associations have put $8.0 billion into mortgages during the first eight months—a 42% increase over last year. The amount of increase in mutual savings bank mortgage holdings is almost 25% greater this year than last.

This has certainly been an impressive year. From the point of view of those who have the responsibility of keeping the economy on more or less an even keel, it has been a little too impressive. Their concern was not only with the exuberance of the mortgage market but with the stock market and consumer credit situations as well; and, as bank credit rapidly expanded in support of these markets and the prices of industrial commodities and, particularly, building materials and construction costs began to turn upward, some restraining actions were considered to be in order.

A long series of actions, mainly by the Treasury or the Federal Reserve, followed — all aimed at bringing investment, whether by business or consumers, more closely in line with the current availability of savings. I shall not go into these in detail nor attempt to explore their impacts beyond the area of our immediate interest. It is enough to say that the effects have been as severe—and I am inclined to say more severe — on the mortgage sector than on any other.

Mortgage Market Vulnerable to Shifts in Monetary Policy

The reason for this is that, by an unusually heavy resort to bank credit, the mortgage market had made itself unusually vulnerable to shifts in monetary policy. During the latter part of 1954 and the first half of 1955, life insurance companies, mutual savings banks, and savings and loan associations all found the demands for mortgages stronger than they could cope with their own funds. To meet the gap between the business that was available and the business they could do with their own money, many of these institutions, by one device or another, supplemented their internal resources with funds borrowed from the commercial banking system. Under the general term "warehousing," we had insurance companies and savings banks either selling loans to the banks under a buy-back agreement or making commitments well in advance to their mortgage loan correspondents who in turn borrowed from the banks until the loans were taken up by their principals. We had savings and loan associations greatly expanding their mortgage activity by increasing their borrowings from the Home Loan Banks. Finally, a number of mortgage companies borrowed from the commercial banks without having commitments from permanent investors.

By late summer, the total amount of short-term funds in the mortgage market was close to $2.6 billion. The increase in the volume of short-term credit over the amount outstanding at the same time a year ago was about $1.3 billion, or around 4.5% of the probable total amount of mortgage lending to be done during the present year. In addition, commitments for another $1.26 billion of warehousing loans remained available.

The process of tightening up credit began to be felt by late spring with mounting discounts on guaranteed loans and increasing reluctance of lenders to make further commitments on the super-liberal terms then permissible. A sharp drop in the number of requests for VA appraisals on proposed homes occurred in June. However, the volume of loans already committed on was so high that, even today, 44% of all VA loans being closed still have maturities of over 25 years and 40% have no down payment.

To sharpen the impact, three other actions were taken, only one of which could be considered administration policy in the highest sense. This was the instruction to the HHFA, and Veterans Administration to deliberalize their terms — a move which, because of the tightening of credit that had previously taken place and the large volume of outstanding commitments, had little separate immediate meaning. The other two — made apparently independently and without prior discussion or approval — threatened to have plenty of meaning for both the present and the future.

First, the President of the Federal Reserve Bank of New York made what was widely interpreted as a strong admonition against further extensions of credit for warehousing purposes. A great aridity in the short-term market followed, accompanied by considerable discomfort not only to mortgage companies but also to savings institutions that faced a problem of validating outstanding commitments.

Second, the Chairman of the Home Loan Bank Board indicated that further advances from the Home Loan Banks for the purpose of expanding loan activity would not be available. There was at least the inference that outstanding advances should be curtailed. In September, when the System claimed a need for over $300 million to meet commitments, only $75 million was supplied. Some member institutions became so pressed as to be forced to sell government bonds or mortgages to meet current obligations, an action which further depressed an already heavily discounted market.

Rigors Being Softened

More recently, however, the indications are that the rigors may be to some degree softened. The President of the New York Federal Reserve Bank, in a letter to Congressman Rains of the House Banking and Currency Committee, endeavored to clarify his position. "My cautionary talks with some of the commercial banks in this community," he wrote, "related to possible abuses in the use of bank credit under the general caption of 'warehousing mortgages,' not to the appropriate and customary uses of bank credit in financing the homebuilding industry." The "abuses" apparently are to be defined as "an extraordinary diversion of bank credit into the mortgage market as a substitute for savings." The customary uses, against which no complaint is made, seem to be those for construction purposes, for the accommodation of mortgage lenders in facilitating the closing and delivery of mortgages, and for helping institutions out of a liquidity squeeze.

Adopting a parallel line, the Home Loan Bank System, by raising a total of $440 million of new money for its members in October and November, makes clear that it will at least ease the institutions out of their present predicament. The completion of arrangements for a $250 million warehousing operation on behalf of New York State savings banks—initiated about the time of the Federal Reserve admonition—will serve a similar purpose.

Finally, the Federal National Mortgage Association has announced that it is temporarily abandoning its liquidation operation in order not to compete with industry for institutional funds. It is, moreover, understood that FNMA will soon go into the short-term market with a debenture issue for the purpose of providing money for hard-pressed builders and mortgage companies.

Monetary Brakes Prevented From Freezing

These moves should serve to prevent the monetary brakes from freezing. They should materially help along the process of digesting this year's extraordinary volume of activity and hence bring closer the time when the savings institutions will have a more eager interest in the future and builders may confidently firm their plans for 1956. The question is, will the time be brought close enough to prevent a serious downturn in housebuilding next year? The question is certainly a debatable one; and I do not doubt that it is being gravely debated in high places.

The policy decisions that are made this month and next will be crucial. If it is concluded that the general health of the economy demands further astringent treatment, the shrinkage is more likely to occur in house-building than in other kinds of construction, or in other areas of the economy, which either are not so dependent on credit or are more readily able to pay a high price for money. If, on the other hand, the conclusion is that restraint has gone far enough, then, whether the monetary policy becomes neutral or indulges in even slight ease, it should be possible for the mortgage and building interests to adapt themselves sufficiently rapidly to a changing atmosphere to get the next building season off to a fairly good start.

The tip-off may come from what the Federal Reserve Banks do or do not do about their discount rates within the next few weeks. When, a short time ago, the discount on Treasury bills went higher than the Reserve Banks' own discount rates, the situation would ordinarily be set for a boost in rate. While such an action might not always mark a critical point in policy, at this time a raise in the Reserve discount rate would certainly suggest that the period of restriction was to be further prolonged. It begins to look as if the rate would not be raised.

Large Amount of Mortgage Funds Available

In any case — irrespective of future monetary policy—the mortgage market is certain to have at least as large a volume of funds at its disposal in 1956 as in 1955, and the prospect is that it will be greater. The increased growth in the life insurance and savings and loan areas alone—even assuming no increase in rate of growth over that from 1953 to 1954 and from 1954 to 1955 — should be more than enough to make up for any probable reduction in the amount of short-term funds available for the expansion of mortgage lending.

The large increases in disposable income that have occurred during 1955, the prospect of further wage increases in 1956, and the virtual certainty of a cut next year in the Federal personal income tax, should result in the accumulation of savings in considerably larger volume next year than this. Moreover, more families should have funds for higher down payments and higher monthly charges than appeared to be the case in early 1955 when housebuilding was riding the easy money wave.

Added to all this is the probability that no further restraining credit action will be taken during the remainder of the year. It is also possible that, in the final analysis, such actions as have been taken to date may prove to have been less inhibitive than they are now widely considered to be. On sober reflection, it should be obvious that no responsible authority desires to end economic expansion, nor to do more than to prevent expansion from becoming outright inflation.

The mortgage market is not to be wholly deprived of short-term funds, despite the common misinterpretation of Federal Reserve policy. The banking system can be counted upon to provide the funds needed to honor outstanding commitments and to prevent mortgage lending institutions from suffering any serious liquidity squeeze; and such provision seems to be currently being made.

A Realignment of Short-and Long Term Credit Needed

What we are in is one of those periods of credit readjustment that a free market must be expected to encounter from time to time. It should be generally agreed that a long-term investment market cannot safely expand indefinitely on the basis of short-term credit, and that some realignment with the actual accumulation of savings needs to be made. The occasion for this realignment has been brought about, fortunately enough, before the disparity between investment and savings had become dangerously great. In all probability, the needed adjustments can be made in sufficient time to prevent a serious curtailment of lending and building in the first part of 1956.

Nevertheless, it cannot be contemplated that 1956 will start off with quite the buoyancy of the early months of 1955, any more than it can be expected that credit in early 1956 will be as loose as it was in early 1955. By comparison, credit will still be tight. But a more orderly flow of funds should have been restored, advances commitments should again be available, and builders should be able to proceed with confidence though perhaps not with exuberance. Next year is certain to be another good year for both builders and mortgage men; and it follows that it will be a good year for real estate men also. Housebuilding may not reach the same level it will come to in 1955; but neither is it likely to fall much short of this very satisfactory performance.

*An address by Mr. Colean at a meeting of the Mortgage Council of the National Association of Real Estate Boards, New York City, Nov. 7, 1955.

W. E. Auch Mgr. for Bache in Detroit

DETROIT, Mich.—Bache & Co., members of the New York Stock Exchange and other leading securities and commodity exchanges, announced today that Walter E. Auch has joined the firm as associate manager of their Detroit office which is located in the Penobscot Building.

Walter E. Auch

Mr. Auch brings to his new post extensive experience in the brokerage business where he concentrated on the recruiting and training of young men and the educational phase of the investment business, and in the automobile industry as well. In 1952-53 he was elected President of the Michigan Association of Investor's Brokers, and Secretary-Treasurer of the National Association of Customer's Brokers.

Joins Arthur Fels

KANSAS CITY, Mo.—Joseph S. Turner has become affiliated with Arthur Fels Bond & Mortgage Company, 935 Walnut Street.

A Greater Period Of Prosperity Ahead

By HARRY A. BULLIS
Chairman of the Board, General Mills, Inc.

Prominent industrial executive, in his current statement on the business outlook, recounts the economic progress since the 1953-54 depression, and the background factors which lead to his view "that we are on the threshold of the greatest period of prosperity America has ever known." Finds, as the most encouraging background factor, the increasing productivity of our economy.

The illness of President Eisenhower was a cause for temporary concern in the securities and commodities markets. However, it is now clear that the reaction was temporary and has not affected the vigorous growth and expansion of the American economy.


Harry A. Bullis

The ground lost in the 1953-1954 depression has been more than regained. The recession was marked by a decline in the Gross National Product from \$370 billion to about \$355 billion on an annual basis. This drop was accounted for, and caused by, the reduction in expenditures for defense, together with reductions in inventories.

The cash consolidated budget has been approximately in balance for the past ten years, and therefore it was possible to make substantial reduction in taxes starting Jan. 1, 1954. That tax reduction stimulated the economy, and total family expenditures continued upward through every quarter of 1954. The abandonment of the excess profits tax encouraged business to maintain and expand total expenditures for new tools, plants and equipment. As a result, both individual and corporate incomes have improved and total tax payments have risen sufficiently so that the budget is in a position of balance, despite the tax cuts. This accomplishment of the Eisenhower Administration in the domestic field will help make a more prosperous United States.

The result is measured by total Gross National Product in the third quarter of 1955 at the annual rate of \$392 billion. We can expect the rate to pass the \$400 billion level by the first quarter of 1956. The present momentum of business will continue into 1956 for enough months to assure that 1956 will record an average level of \$400 billion of gross national production.

In its October "Survey of Current Business," the Department of Commerce shows that in the primary metal producing industries, in machinery and in transportation equipment, new orders received by manufacturers have exceeded the rate of deliveries. In 1954, the rate of deliveries exceeded the rate of new orders being received.

In the same issue, the Department of Commerce shows how well "compensation to employees" has been maintained. This is the workers' share of the national income. Disposable income rose by the amount of the 1954 tax reduction, and it is still rising, as the result of wage increases and higher employment.

Outlook for the Future

For the longer run, the pressures upon business to enlarge capital expenditures will continue to be heavy. New estimates of population growth indicate a total of 193 million in 1965, and 228 million by 1975. The breakdown of these estimates reveals that while the total population will grow by 17% during the next ten years, the number in the labor force is expected to grow by only 7% and the number in the 25 to 45 age group will not grow at all. This latter important fact is the result of the low birth rate during the 1930's. This group will be passing the 25-year age line from 1955 through 1965. The higher birth rate and the immigration following 1910 means that a large group will be passing the 45-year mark during the next decade. The relatively small addition to the labor force will increase the need for machines to maintain the production which the economy needs.

The expectation is that capital expenditures of business will be increased in 1956. Purchases of producers' durable goods advanced substantially in the first part of this year and the advance is accelerating. At the same time there was less stock piling of inventories in the third quarter of this year than in the second quarter.

Thus, two possible sources of future weakening of business seem to have been removed. The first might be described as "failure of business new capital formation." The second is the possibility of a change from a high rate of inventory accumulation to a period of inventory liquidation.

What other cause might come into operation to check the expansion of business? Such a cause could be the failure to allow for an expansion of bank deposits and debts at a rate warranted by business expansion. As total business grows, it needs larger balances of working capital. These must be much larger, for instance, to finance the production and sale of 8 million automobiles per year compared with a production of 4 million cars per year.

Need for Growth of Credit

There seems to be a fear of the growth of debt—a fear of the debt of consumers and of American families, a fear of the debt of the Federal Government, and, perhaps to a lesser extent, a fear of the growing debt of business in America. It is assumed that this fear will not lead the monetary authorities to take steps beyond those that are really necessary. It is believed that our monetary authorities realize that a growing debt is inseparable from economic expansion; that the American family ranks second only to the Government itself as a borrower of money; and that both the income, the liquid assets, and the total assets of consumers are growing at rates which more than offset the growth in total consumer debt. The monetary authorities appear to be alert to the need for credit growth in economic expansion. Such growth of credit should not be sufficient to produce inflation, nor should it be restrained to the extent that it causes increased unemployment and idle resources and thus checks today's healthy and vigorous economic expansion.

The Most Encouraging Factor

In my opinion, the most encouraging factor in today's economic scene is the increasing productivity of our economy. During the past five years, we have had the most vigorous rate of investment, invention, innovation, and expansion of productive tools ever known in history. It is such tools which make the American worker the most productive worker in the world. More tools and bigger machines have brought to American workers the highest standard of living in the world, higher even than in the most advanced countries of Western Europe.

The vigorous rate of improvement in factories, machines, equipment and tools, is one cause of the tighter credit situation, but this expansion is also the force which more surely can advance the nation's welfare than any other force which has ever operated, before or since the Industrial Revolution. The press reports it merely as planned capital outlays of all principal American corporations, but back of it is invention and innovation, creating a demand for loans which leads to the growth of debt. We have the same vigorous rate of innovation in new and better houses, new and better automobiles, and new and better foods.

So we see that the growth of debt and the production of new and better goods are parts of the same phenomena, which I might characterize as the vigorous spirit of enterprise and innovation that features America today. The advance in production, incomes, and employment that we will enjoy for the next ten years, depends to a great extent upon how well our monetary authorities arrange a needed flow of credit, and how well we all accept a needed enlargement of debt.

I believe we will continue to expand the tools which industry places in the hands of the American workers. And I think we will find ways to provide adequate credit so that consumers can continue to purchase the full output of industry. I am sure that we will also continue to expand our output so as to stop any threat of inflation.

This all means that we are on the threshold of the greatest period of prosperity America has ever known.

Morgan Stanley Will Admit Three Partners

Moore P. Huffman, Hudson B. Lemkau and Charles F. Morgan on Jan. 1 will become partners in Morgan Stanley & Co., 2 Wall St., New York City, members of the New York Stock Exchange. Mr. Lemkau is syndicate manager for the firm.

With R. S. Dickson & Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Richard G. Glasgow has become connected with R. S. Dickson & Co., Wilder Building.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Carl W. Smith is now affiliated with Bache & Co., 108 West Market Street.

\$50 Million Debentures Of Quebec Pwr. Agency To Be Sold in the U. S.

Issue will be underwritten by First Boston-A. E. Ames syndicate

A registration statement was filed Nov. 25 with the Securities and Exchange Commission covering a proposed public offering in the United States of \$50,000,000 of twenty-five year debentures of the Quebec Hydro-Electric Commission. The debentures, which will be guaranteed unconditionally as to principal and interest by the Province of Quebec, Canada, are expected to be brought to market before the end of this year. The First Boston Corporation and A. E. Ames & Co. Incorporated are named as managing underwriters.

The Commission, an agency of the Crown created in 1944 to generate, acquire, sell, transmit and distribute electric power and gas throughout the Province, will use the proceeds from the debenture sale to repay \$8,000,000 in bank advances and to finance, in part, its construction program for the period September, 1955 through the year 1962. Approximately \$495,000,000 has been estimated as the cost of the program, the principal item of which is the development of the Commission's project on the Bersimis River flowing into the St. Lawrence some 200 miles below Quebec City. The project is expected to have an ultimate installed capacity of 1,400,000 kilowatts and is a vital part of the program for a large hydro-electric system correlating the power resources of the Province which, including existing installations, are estimated at 20,000,000 kws. with adequate water storage facilities.

CORRECTION

In the Financial Chronicle of Nov. 17 it was reported that George E. Bird had become associated with Insured Investments Associates, Inc. of Chicago. This was in error. Mr. Bird is still with McMaster Hutchinson & Co., with which he has been associated for the past 15 years, and will remain with that firm.

This is not an offering of these Bonds for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Bonds. The offering is made only by the Prospectus.

\$18,000,000

San Diego Gas & Electric Company

First Mortgage Bonds, 3¼% Series F due 1985

Dated October 1, 1955 Due October 1, 1985

Price 99.619% and accrued interest

Copies of the Prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc.
Harriman Ripley & Co. Incorporated
Kidder, Peabody & Co.
Dean Witter & Co.
Wood, Struthers & Co.
H. M. Byllesby and Company Incorporated
Dempsey-Tegeler & Co.
Crowell, Weedon & Co.
Elworthy & Co.
Hill Richards & Co.
First California Company Incorporated
J. A. Hogle & Co.
C. S. Ashmun Company
Chiles-Schutz Company
Davis, Skaggs & Co.
E. S. Hope & Co.
J. A. Overton & Co.
J. C. Wheat & Co.

December 1, 1955.

This is not an offering of these Shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

50,000 Shares

Montana-Dakota Utilities Co.

4.70% Series Preferred Stock
(Cumulative)
Par Value \$100 Per Share

Price \$100 per share
Plus accrued dividends from the date of issue

Copies of the Prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc.
Merrill Lynch, Pierce, Fenner & Beane
Kidder, Peabody & Co.
W. C. Langley & Co.
A. C. Allyn and Company Incorporated
Central Republic Company (Incorporated)
The Milwaukee Company
F. S. Moseley & Co.
Piper, Jaffray & Hopwood
Dean Witter & Co.
Blair & Co. Incorporated
W. E. Hutton & Co.
Kalman & Company, Inc.
Woodard-Elwood & Company
Equitable Securities Corporation
Laurence M. Marks & Co.
McCormick & Co.
Stifel, Nicolaus & Company Incorporated
The Illinois Company Incorporated
Pacific Northwest Company

November 30, 1955.

The Year 1956 Will Bear Close Watching

By H. E. LUEDICKE*
Editor, New York Journal of Commerce

In projecting the business outlook for 1956, Dr. Luedicke holds that a good year is not yet "in the bag," but risks of any serious disturbances because of an inflationary or deflationary trend are quite limited. Finds as unfavorable factors: (1) rising wages; (2) rising inventories, and (3) rising plant and equipment expenditures, which may result in excesses. Sees as strong factors: (1) continued high government spending, and (2) a strong possibility of reversal of current restrictive credit policies. Maintains we are not "out of the woods," in long-range prospects.

Most observers under-estimated the vigor of the 1955 business recovery. Most of them expected a good year; quite a few even "the best year on record," but very few expected this to come true by as wide a margin as finally materialized.


Heinz E. Luedicke

As the year 1956 approaches, the economy—following a brief period of hesitation—seems to be gathering a new head of steam and, as optimism begets more optimism, any number of observers now seem quite willing to throw caution to the wind and to predict even greater things for 1956.

All this despite the fact that the boom is a year older. There is considerable relief that the dire things predicted by some for the current year failed to materialize. We did not run into any serious trouble this year despite the excessive growth in private indebtedness; or the continued decline in farm prices; or the speed-up in plant expansion. But this does not mean that these problems have been solved. They are still with us as we approach 1956. Hence the same forces that needed watching this year, will bear even closer watching next year.

If current indications prove correct, businessmen are planning to step up expenditures for plant and equipment another $4 billion to a new record $33½ billion next year. Construction volume, despite a moderate slowdown in housing starts right now, is officially estimated at $44 billion next year for an increase of another 5%; inventories are currently being accumulated at an annual rate of some $3 to $4 billion; automobile makers are going ahead as if they had better than an even chance to beat the 1955 record of almost 8,000,000 cars in 1956; consumers seem determined to make this the best Christmas season ever; and even the stock market seems to be getting its second wind.

Unfavorable Factors

All of these factors denote strength in the current outlook. However, all of them have one thing in common that is rather disturbing, if not ominous. All of them could turn into unfavorable factors rather suddenly. That makes the classification of current economic factors into favorable and unfavorable factors rather more difficult than it usually is.

Rising wages this year no doubt were largely responsible for the increases in consumer spending; they encouraged a good deal of this year's increase in mortgage and instalment debt. Yet can they still be regarded as favorable if they encourage excessive debt expansion or if they pre-empt all productivity gains for labor so that smaller businesses in particular are confronted with the choice of either trying their luck with higher prices or of absorbing a constantly rising share of current and future cost increases out of profits?

Rising inventories are a bullish factor as long as the rise continues. At the moment, the ratio of sales to inventories still is as good as it ever was. But, then, such ratios always look the best just before a turn occurs. Quite a few observers foresee a reversal in the inventory trend some time next year. Any broad swing from inventory accumulation to liquidation is bound to exert considerable pressure on the level of business activity. Business is making progress in the management of its inventories. Future inventory adjustments may not turn out as severe as 1948-49 and 1953; but it would be wishful thinking to expect them to be made without any downturn in production.

Rising plant and equipment expenditures—even with the prospect of the Golden Sixties ahead of us—sooner or later must create a problem of temporary overcapacity. They are a bullish factor now. The fact of the matter is that the increase foreseen by industry itself for next year would be sufficient, almost, by itself, to bring about another overheating of the boom, unless business itself revises these estimates downward for this reason or the Administration finds a way to slow this type of business expenditures down.

These are the three major forces behind the current boom that could conceivably turn into unfavorable factors in 1956.

Their weight is all the greater as a number of other vulnerabilities will be carried over into next year. Chief among these are the protracted decline in farm prices which may be softened next year, but hardly reversed; the determined efforts of a number of West European countries, including England, to take the speculative fever out of their own booms which will weaken one of this year's major props under the world boom; European nations once again are going to concentrate on their own export drives, thus making our own industrial exports just that much more difficult.

These are the factors that make for considerable uncertainty in the 1956 business outlook.

Favorable Factors

On the other side of the ledger, there are factors of great strength. In addition to those already mentioned, there is the prospect of continued high Government expenditures and, at least equally important, there is the possibility, if not probability, of a reversal in the current restrictive credit policies.

This is the one element that actually will determine the balance between favorable and unfavorable factors next year. In view of what is involved here politically, it probably will tip the balance in favor of continued boom rather than stronger restraints.

This, however, is strictly guesswork at this time, based on the rather callous belief that, when the showdown comes, politics will triumph over economics. The Eisenhower Administration could decide to make its fight on the basis of sound economics — but that, in all probability, would prove a losing fight. This observation serves to underscore one of the great question marks in the economy today; namely the doubt as to whether future Administrations in Washington will be willing to go as far as the present one in attempting to restrain booms.

For the better part of 1956, business sentiment will be caught between political hopes and fears. Another Republican victory next November, almost certainly would lead to another display of confidence because it would be interpreted as a promise to continue sound business policies. On the other hand, fears of a third New Deal in case of a Democratic victory would be largely offset by the realization that such an Administration, particularly in its initial stages, probably would discard the idea of restraining the boom and to use inflationary weapons more readily. It takes more than an ordinary economic crystal ball to dope this one out with any degree of assurance.

Triggers for Moderate Setback

In view of all of these current uncertainties and vulnerabilities, two factors could trigger a moderate setback sometime between now and mid-1956, probably in the second quarter of next year—but it would take their combined weight to do it. They are: (1) The realization in the automobile industry that 1956 will fall short of 1955 by a rather substantial margin, perhaps 10%, and (2) The failure of the Administration to offset any protracted, though moderate, decline in new housing starts by steps designed to ease mortgage credit.

Should the current and prospective uncertainties trigger a downward revision in plant and equipment expenditures and a shift from inventory accumulation back to liquidation, the setback could prove rather pronounced. This, too, is a possibility for 1956, but not a probability.

These discussions are based on a belief in the ability of Government to exercise—in conjunction with the monetary authorities, a considerable influence on nearby trends.

While some observers, right from the start, have pooh-poohed the effectiveness of credit restraints in the face of the strong boom, the fact remains that the Administration succeeded in taking some of the speculative fever out of the boom. It is, of course, true that the initial shock over the President's illness contributed to this result. But, spotlighted by the credit restraints, the realization has been growing that this year's boom was based on too much borrowing from the future at a rate that can hardly be expected to go on indefinitely.

Credit Policy

As far as mortgage credit is concerned, the slowdown in housing starts was pronounced enough to lead to pressure for the prompt removal of these curbs.

Actually, there have been numerous reports of late to the effect that the Administration is already quietly dropping its credit controls. In their most conservative form, these reports hold that, in any case, no further restraints should be anticipated, and that the next move in interest rates probably will be downward.

Actually, all of these reports are premature. Certainly, the policy of restraint has not been called off. This is not surprising in view of current indications that another "whirl" of some magnitude may now be in the making.

The Administration, in laying its plans for 1956, must, of course, make allowances for the usual lag between changes in credit policy and the time when they become effective. Those who are talking about an imminent change in these policies, once again, are taking it for granted that political considerations will outweigh economics.

They may be right—but they still are guessing.

We feel certain that, if there is an actual decline in 1956, it will be met with a reversal in credit policy and an assist from fiscal policy in form of another tax cut. However, in such a case, action can hardly be expected to be prompt enough to prevent a temporary moderate decline.

Thus, as things are shaping up now, 1956 is not yet completely "in the bag," but risks of any serious disturbances in the trend either on the inflationary or on the deflationary side are quite limited.

Not Out of the Woods in Long-Range Outlook

That does not mean, however, that we are out of the woods as far as the longer-range outlook is concerned. A lot of the current optimism is based on the unlimited growth prospects ahead. Everybody is speaking about the Golden Sixties. That is the period ahead when accelerated population growth and unparalleled advances in technology will combine into a period of even faster economic growth accompanied by further advances in our standard of living.

There is no reason to pour cold water on such long-range projections—just as there is no doubt that things might have turned out quite differently if we would have had such a dynamic concept of our economic future in the early thirties.

We hear a lot today about the basic difference between then and now—and these differences are of course tremendously important.

However, it might be wise not to overlook the similarities between the two periods. We can learn a lot from such a comparison.

The late twenties were widely heralded as the New Era. The millenium was near, and it was described in glowing terms—almost the same ones as now being used in describing the Golden Sixties.

Today it is par for the course to ridicule the attitude of the late twenties—and yet when you come right down to it, what was really wrong with that optimism — except its timing?

We went ahead too fast in the late twenties, and we had to pay for this in terms of human misery and economic losses. But the fact remains that the Florida real estate boom did come through 20 years later, and the economic horizons visualized in the late twenties—through the eyes of the stock market — are no longer dreams.

The depression of the early thirties was not so much due to the New Era philosophy of the late twenties—but to our failure to recognize the pitfalls of going too fast. Even then, there need not have been any protracted depression if we had not promptly forgotten our great hopes for the future and permitted ourselves to become paralyzed into the theory of economic maturity.

Today we know all that. And yet, we may again be trying to run too fast. That is why, once again, there is a danger of stumbling.

After all, we have had ten years of boom with only two minor inventory recessions. That is bound to build up maladjustments due to errors of both commission and omission.

Maybe we have become too optimistic in trying to realize the Golden Sixties tomorrow instead of in due course.

Nobody can answer these questions with complete assurance. But one thing we do know now that we didn't know in the early thirties; even if we do stumble, the fall does not have to be fatal. That is the real difference between the New Era of the late twenties and the "new" New Era of today—not the built-in stabilizers, subsidies, cushions, and what have you.

*An address by Dr. Luedicke before the American Finance Conference, 22nd Annual Convention, Chicago, Ill., Nov. 18, 1955.

Haskell Appointed Defense Advisor

John H. F. Haskell has been appointed Defense Advisor to the U. S. Permanent Represenative to the NAC. Mr. Haskell is retiring from his position as Vice-President of the New York Stock Exchange to accept the appointment.


John Haskell

In New York, Keith Funston, President of the New York Stock Exchange, said that Mr. Haskell's retirement, after 24 years of service, with the Exchange, had been accepted by the Exchange's Board of Governors with extreme regret.

"Mr. Haskell has made an outstanding record at the Exchange and his departure will be deeply felt. His entire career, in a very real sense, has been devoted to the service of his country and the public. At the Exchange, for instance, as Vice-President he has done pioneering work with listed companies, with institutional and private investors leading to improved Exchange services in the public interest.

"Much as we regret Mr. Haskell's departure, the Stock Exchange is proud that one of our officers has been selected to such a key post in the service of the United States."

Walter J. Coughlin To Celebrate Dec. 2


Walter J. Coughlin

Walter J. Coughlin of Coughlin & Co., Denver, will celebrate his birthday Dec. 2 at the Investment Bankers Association Convention at Hollywood Beach. Mrs. Coughlin is attending the convention with him.

Joins Alex. Brown Sons

(Special to The Financial Chronicle)

WINSTON-SALEM, N. C. — James H. Smitherman has become associated with Alex. Brown & Sons, Reynolds Building.

Now With Fahey Clark

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Richard A. Parker has become connected with Fahey, Clark & Co., Union Commerce Building, members of the Midwest Stock Exchange.

What About Business Inventories?

By WILLIAM F. BUTLER*
Consulting Economist, Chase Manhattan Bank

Mr. Butler, in stating business inventories are definitely low in relation to current sales, holds the recent rate of accumulation can run on for almost three years before inventories become excessive. Sees danger, however, in an acceleration of rate of inventory build-up, but contends current credit restraint policy discourages borrowing to build up stocks of goods

Are business inventories too high? That's an easy question to answer. Business inventories are definitely low in relation to current sales. If sales rise 3% in the year ahead, then business will have to add about $6-$7 billion to its inventories to bring them up to a normal level.

William F. Butler

Business added to its inventories at an annual rate of $3 billion in the third quarter of this year. The annual rate of inventory building may be up to $5 billion in the current quarter. Yet that rate of accumulation can run on for two or three quarters without making inventories excessive.

The danger is that the pace of inventory building will accelerate. In the past, swings from adding to inventories in good times to cutting them when business turns down have been one of the major factors in business cycles. Thus, inventory swings equalled 98% of the total decline in the 1949 recession and 40% of the drop in the mild 1953-54 recession.

Will history repeat in the next year? At this juncture, it's impossible to give a hard and fast answer. Yet there are several factors that seem to be operating to moderate the advance in inventories: (1) the Federal Reserve's policy of credit restraint tends to hold back borrowing to build up stocks of goods in excess of needs; (2) sales should rise more slowly from now on, reducing the need to build stocks rapidly; (3) the major part of the advance in industrial prices may be behind us, reducing the incentive to buy to beat price rises. Thus, there seems to be good reason to hope that we shall escape the sort of inventory boom that brings on an inevitable downward adjustment in production and employment.

Business inventory policy is, of course, intimately linked to the over-all movement of sales, production and employment. Thus, changes in general business activity will have their impact on inventory policies in the year ahead. If, however, general business activity rises moderately in the next year, inventories should not prove an upsetting factor. The economy should be able to accommodate a rise in business inventories in the first half of next year and a slow-down in inventory buying during the second half of the year. Thus, the odds seem to be against the typical boom-and-bust inventory pattern for 1956.

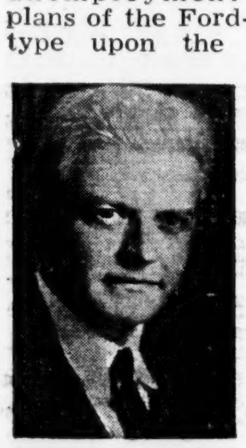
*Summary of a talk by Mr. Butler before the National Industrial Conference Board, Philadelphia, Pa., Nov. 17, 1955.

Impact of Supplementary Unemployment Benefit Plan

By SUMNER H. SLICHTER*
Lamont University Professor
Harvard University

Prof. Slichter, in commenting on the economic impact of supplementary unemployment compensation plans, holds that it is unlikely that such plans will spread to more than 5 million employees, or about one out of each eight persons employed. Since the spread of these plans is limited, he holds their effect in stabilizing the economy is also limited. Rejects certain fears regarding ill effects of supplementary unemployment compensation.

The effects of supplementary unemployment compensation plans of the Ford-General Motors type upon the economy as a whole will depend upon the extent to which these plans spread. They are likely to spread less rapidly than supplementary pension plans because there are many companies in which work is so steady that there is little employee interest in supplementary unemployment compensation. Most of the spread of supplementary pension plans has occurred since the negotiation of these plans in the steel industry in 1949. At the present time, supplementary pension plans extend to about 12 million employees.



Sumner H. Slichter

The demand for supplementary unemployment compensation is so weak among half or more of the workers with considerable seniority in most industries that the spread of supplementary unemployment compensation will be far slower than the spread of pension plans. Several months ago I said that it is unlikely that supplementary unemployment compensation will cover as many as 10 million employees in the next five years. As a matter of fact, I doubt whether it will spread to five million employees in the next five years. This would mean that less than one out of eight of the workers now covered by government unemployment compensation schemes would receive supplementary unemployment compensation. There will be some spread of security benefit plans of the type negotiated recently in the flat glass industry, but I do not believe that such plans will ever become very extensive. The fact that they do not embody the insurance principle means that they give far less protection than insurance schemes.

It is interesting and important to guess what types of security will have the strongest appeal to American workers and, therefore, are most likely to spread during the next few years. I think that the types with the greatest appeal will be those from which workers of long service, or at least medium-term service, get some benefits. Disability insurance is an example and, in industries in which there is considerable relocation of plant or introduction of automation, severance pay.

If the spread of supplementary unemployment compensation is quite limited, as I expect that it will be, its effect in stabilizing the economy will also be limited. Of course, its effect will be good as far as it goes. Supplementary benefits will help sustain incomes during periods of recession and thus will help sustain the demand for goods and limit the severity of recession. Furthermore, there may be important indirect effects. The substantial supplementary benefits provided in the Ford-General Motors agreements may cause state legislatures to raise their conception of what are "adequate" benefits and thus may stimulate the states to increase benefits. Substantially larger benefit payments by the states would be a major contribution toward sustaining incomes during recessions and thus in stabilizing the economy. Larger benefit payments by the states would impose no net cost on the economy as a whole. On the contrary, they would cost less than nothing because they would increase the total production of the economy.

Fears have been expressed that supplementary unemployment compensation plans would tend to concentrate production and employment in the hands of large concerns. This fear is ill-founded. There will be some tendency (not particularly strong) for supplementary unemployment compensation plans to concentrate production and employment in the hands of those firms (large or small) that are best at keeping down layoffs. In some industries the large firms may find it easier to keep down layoffs than the smaller firms; in other industries the small firms may find it easier to keep down layoffs than larger enterprises. In most industries there is probably no close connection between the size of the enterprise and success in keeping down layoffs.

Fear has been expressed that the spread of supplementary unemployment compensation plans will discourage industry from expanding. If an employer, by adding new workers to his payroll, incurs heavy obligations to pay supplementary unemployment compensation, will not enterprises be reluctant to expand? I think that this argument is without merit. The rate at which concerns will expand will depend upon the rate at which they get orders. It would take a very high rate of supplementary unemployment benefits to make employers prefer to lose customers rather than to add workers to their force. Furthermore, to the extent that supplementary unemployment compensation supports markets during periods of recession, it will encourage rather than discourage the expansion of industry.

Fear has been expressed that supplementary unemployment compensation will lead employees to prefer idleness to work. I do not think that there is much basis for this fear. Most American workers would like to be able to buy much more than they are already buying. Indeed, people who feel that American workers will be content with unemployment benefits of $50 to $60 a week when jobs can be had paying $20 or $30 a week more are not aware of the enormous unfilled wants of most families. A difference of $20 or $30 a week would make an important difference in the standard of consumption of most families—in the clothes the family buys, in the household appliances it buys, in the recreation of the family and the trips that it takes, and even in plans for education of the children.

*Summary of a talk by Prof. Slichter before a session of the National Industrial Conference Board, Philadelphia, Pa., Nov. 17, 1955.

Continued from page 2

The Security I Like Best

tion to the potential improvement in volume from existing wells now under contract, there is considerable room for increase in the average price of gas at the well-head with wider operating margins and earnings betterments. Moreover, the removal of present restrictive legislation will tend to act as a further impetus for the exploration of new wells.

As an indication of its success in drilling, the company completed a gas distillate well last year, with a potential of approximately 1½ million cubic feet of gas daily; a contract for the sale of the output of the well has been made with Tennessee Gas Transmission at an escalated price beginning at 10.2 cents per 1,000 cubic feet. Earlier this year, the company completed a rich gas distillate well in Acadia Parish, Louisiana. The gas was immediately marketed under favorable contract to Transcontinental Gas Pipe Line Corporation. The management continues to search and drill for gas aggressively. During 1954, it participated in the drilling of 25 wells, of which five are completed as oil wells, eight as gas distillate wells, and 12 were dry holes. The company's average interest was 27% in the successful wells. Management announced on Sept. 15, 1955 that additional well locations will be made within the next 90 days. We are of the opinion that the passage of the Harris Bill, or similar legislation, would be incentive to the independent natural gas companies, such as Southwest Gas to intensify their exploration and increase their volume of output.

New Cracking Plant

Prior to Oct. 1, 1955, Southwest Gas was required to purchase high-octane gas from others to blend and up-grade its own products. As of Oct. 1, a new Universal Oil Products Platformer Unit was installed at the Dubach Plant to manufacture the highest octane gasoline. This creates the only gasoline plant in the area which is integrated with a natural gas extraction plant. Several months before this new unit was placed into operation, the company signed up 95% of the supply in the plant area. Three additional wells are being added to the 62 wells which now are connected to the elaborate gathering system. On the basis of present average through-put, the plant recovers approximately 2,500 barrels of gasoline, 1,000 barrels of propane, and 500 barrels of butane each day. With Southwest's contracts calling for a processing charge of one cent to one and one-half cent per gallon of gasoline, plus 35% of the liquids recovered, earnings of the cracking plant alone could approximate 25 cents a share. In addition, the expenses incurred for purchasing high premium blending materials is now eliminated. As a result of this new unit, it is conceivable that the company can enjoy an increase of earnings amounting to approximately 50% of that of last year's earnings. A gas specialist associated with a large Eastern security house says that in his opinion the construction of the Platformer Unit puts an entirely different picture on the company's outlook . . . "the stock should be worth much more than 10 just on the new earnings power of the extraction plant."

Earnings

In common with other natural gas producers, Southwest Gas enjoyed a strong earnings growth between the year 1947 and 1951. In the latter years, earnings reached a peak of 97 cents a share. The favorable income tax allowances given in recent years to exploration expenses and depletion, account in part for what on the surface appears to be limited earnings. Gross revenues, with the exception of two years, 1952 and 1954, have grown consistently over the past nine years, and were reported at $5.2 million in 1954. During this period earnings retained in the business have brought about a steady growth in the earned surplus account to the point where it now amounts to $5 million or five times the size of the capital stock account. The operation has proved to be so profitable that cash flow was used for the expansion of fixed assets. Stock dividends of 4% were paid in the years 1951, 1953, 1954 and 1955. Despite the heavy investment in fixed assets, the long-term debt (including current payments due) was a conservative 24% of net property as of December, 1954. Over the past four years, Southwest Gas brought down an average of 12% of gross revenue to net income, after taxes.

Natural gas production is a defensive industry. Statistical services rate it high for stability of earnings and resistance to cyclical influences. Moreover, the outlook for further growth is excellent. On Oct. 12, 1955, Thomas T. Arden, President of Gas Appliance Manufacturers Association, stated: "Rather than show any diminution, the Nation's consumption of gas in 1955 will top the previous high by more than 9%, and 1956 will be even better than 1955."

We venture to say that when FPC control over the independents is removed, the renewed interest in the common stocks of natural gas companies is likely to cause a substantial rise in their prices. The common stock of Southwest Gas offers the discriminating investor an unusual opportunity for participating in the revitalized growth in a conservative and basic sector of the utility industry. In 1952, when the growth aspects of the natural gas industry were fully recognized by the investing public, Southwest Gas common reached a high of 27¼, and sold for almost 35 times earnings. At the current price of 9 the stock is selling for a considerable smaller earnings multiple and appears to ignore the dynamic factors which are likely to affect the company in the coming months, as well as the metamorphoses in the company's cracking plant.

Over the long-term the stockholder of Southwest Gas stands to share in the huge benefits to be derived by the independent producers in the natural gas industry. The stock is traded in the Over-the-Counter market.

Frank Bateman Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Robert X. de Marcellus has become connected with Frank B. Bateman, 243 South County Road. He was formerly with Bache & Co.

Oil and Gas Leases from an Insurance Company Viewpoint

By ALLEN C. STEERE*
Second Vice-President and General Counsel
The Lincoln National Life Insurance Co., Fort Wayne, Ind.

Mr. Steere, in discussing modern oil and gas leases from the viewpoint of an insurance company as lessor, covers the principal provisions of such leases. Gives data on a standard type lease form, and covers such provisions as: (1) the Granting Clause; (2) the Habendum or Term Clause; (3) Royalties; (4) Rentals; (5) Pooling, and (6) Limit Operations. States he is not critical of the oil and gas industry, but, since the oil companies trade, with the interest of the lessee in mind, they should with equal fairness do as good a job for the lessor.

I hope you will agree that we should make the effort to become better acquainted with some of the principal provisions of the modern oil and gas lease, it being one of the essential contracts of the industry.[1] In the strict sense, it is not a lease at all, but a grant of the oil and gas or of the land with the right to take the oil and gas therefrom.

Allen C. Steere

Producers 88

In the Mid-Continent Area, the so-called Producers 88 is the usual oil and gas lease form. However, the term, "Producers 88," does not identify any particular lease form, but merely a general type of form of which there are countless variations.

First used in 1916, they are characteristically fixed-term leases with "unless" drilling clauses. Mr. A. W. Walker, Jr., a member of the Dallas Bar and a former professor of law at the University of Texas, has said:

"This form met with popular approval, and prior to 1920 the use of 'Producers 88' form leases has spread throughout Oklahoma, Kansas and Texas. So well-known and popular did the form become that landowners in leasing their lands frequently insisted upon the use of forms carrying this designation. Oil companies in printing their forms, as well as printing companies generally, were quick to capitalize upon the popularity of forms bearing the words, 'Producers 88.' With the passage of years, bringing new problems and new troublesome court decisions, many revisions were made in the original lease form. These revisions were frequently made according to the individual ideas of particular oil companies or printing companies with the result that there are now in current use many different revisions of the original 'Producers 88' form."[2]

One of my oil friends has said that so far as the operator is concerned the words "Producers 88" are of help in convincing a layman-landowner that the particular lease is the standard type lease form.

Any comparison, however, of printed lease forms will show that **there is no standard** except as to basic clauses, and in the paragraphs following, some of these so-called basic clauses will be discussed.

The Granting Clause

Mr. R. T. Wilkinson, Jr., a member of the Legal Department of the Magnolia Petroleum Company, Dallas, has said:[3]

"The granting clause is probably the most stable clause of the lease. It originates from the grant clause employed in deeds of conveyance to real estate . . .

"There is a diversity of opinion among the courts of the several oil producing states as to the exact nature of the property interests of landowners in the oil and gas underneath their land.[4]

"The 'ownership in place' theory is that oil and gas in place beneath the surface of land constitute a part of the land and as such are real property, and the landowner is regarded as having absolute title thereto in severalty.[5]

"In Texas, where the 'ownership in place' doctrine is recognized, and oil and gas lease in the ordinary form is a present conveyance of the oil and gas in place and conveys to the lessee a determinable fee estate.[6]

"The 'qualified ownership' or 'exclusive right' theory is that, because of their peculiar nature in the natural state, oil and gas take more the nature of common property title to which becomes absolute when they are captured and are reduced to possession, and the landowner acquires title to them only when he reduces them to possession, but has the exclusive right on his land to drill for oil and gas and retain on this property all substances brought to the surface.[7]

"Under the 'qualified ownership' theory, a lessee, instead of holding a determinable fee estate in the oil and gas, holds a profit a prendre in the nature of an incorporeal hereditament which is a vested interest in the land for the same duration as a determinable fee.

"Actually, there is little difference, and for all practical purposes no difference, between the landowner's common-law property interest under the 'ownership

Continued on page 34

*Remarks by Mr. Steere before the Legal Section of the American Life Convention, Chicago, Ill., Oct. 11, 1955.

1 For an interesting discussion of the evolution of the modern oil and gas lease, see Leslie Moses' article, "The Evolution and Development of the Oil and Gas Lease," *Second Annual Institute on Oil and Gas Law and Taxation, Southwestern Legal Foundation,* Page 1 (1951).

2 28 *Texas Law Review* 896, 897 (1950).

3 From a discussion presented by Mr. Wilkinson to a Meeting of Counsel, January 19, 1953.

4 "Oklahoma and California follow the 'qualified ownership' theory, while Texas, Arkansas, Mississippi, and others follow the 'ownership in place' theory. See Louis M. Andrews, 'Correlative Rights Doctrine in the Law of Oil and Gas,' 13 *So. Calif. L. Rev.* 185 (Jan. 1940), wherein it is stated that Texas, Arkansas, Kansas, Michigan, Mississippi, Montana, Ohio, Pennsylvania, Tennessee, and West Virginia have adopted the 'ownership in place' theory and that California, Illinois, Indiana, Kentucky, Louisiana, New York, Oklahoma, and some decisions of the United States Supreme Court have adopted the 'qualified ownership' or 'exclusive right' theory. For a discussion of the development of the two theories, see 1 Summers, *Oil and Gas* 121, sec. 62."

5 "*Brown* v. *Humble Oil & Refining Co.,* 126 Tex. 296, 83 S. W. 2d 935, 87 S. W. 2d 1069, 101 A. L. R. 1393 (Sup Ct. 1935); *Lemar* v. *Garner,* 121 Tex. 502, 50 S. W. 2d 769 (Sup. Ct. 1932); *Humphreys-Mexia Co.* v. *Gammon,* 113 Tex. 247, 254 S. W. 296, 29 A. L. R. 607 (Sup. Ct. 1923); *Elliff* v. *Texon Drilling Co.,* 146 Tex. 575, 210 S. W. 2d 558 (Sup. Ct. 1948)."

6 *Lemar* v. *Garner,* supra note 9; *Stephens County* v. *Mid-Kansas Oil & Gas Co.,* 113 Tex. 160, 254 S. W. 290 (Sup. Ct. 1923)."

7 "*People* v. *Associated Oil Co.,* 211 Cal. 93, 294 Pac. 717 (Sup. Ct. 1930)."

THE MARKET . . . AND YOU

By WALLACE STREETE

Year-end dividend action was the prime motivation for the stock market again this week, making for erratic actions reflecting the approval or disappointment in specific cases. For the general market, it was largely a period of waiting until the year-end cash barrage subsided to see what direction is indicated from here on out.

* * *

There wasn't to much chagrin over the failure of the industrials generally to capitalize on the rail breakout into high ground for a quarter century late last week. For one, tax selling is still around to hold back the industrial section. For another, there is still time for the list to mount its customary year-end rally once the tax selling is over. Furthermore, the industrials have been hovering only a short distance below the high and well above the October low, so that a new peak is possible on any show of general strength.

* * *

Volume indications were neutral. A seeming pickup one day was more often due to some large block turnovers in one or two issues such as the single sale of 72,900 shares in the normally inactive Chicago, Indianapolis & Louisville against its "'norm" of around half a dozen single trades for a day's work.

Ward Continues Erratic

Montgomery Ward was among the more erratic performers as the hopes rose and fell over the chances of the stock being split. It was only slightly less erratic after the board voted a 2-for-1 division since there had been so much talk, particularly around the time of the last annual meeting, of a 3-for-1 capital readjustment. It was also something of a different note when the West Coast markets, which were still trading at the time the decision was announced, put a more optimistic price tag on the issue than the New York market did in the trading session following the news.

* * *

Santa Fe was an even more erratic item as the traders awaited a similar decision to result from its dividend meeting. The pattern of a $11 advance one day, a $9 fall the next, followed by a $6 rebound, and so on, was one of the wilder ones around. Union Pacific, where an approved stock split started all the rail commotion, subsided rather rapidly once the hopes were realized. The high priced Superior Oil, which normally moves widely, was infected a bit and put on some even larger swings than is its wont. Among them was a $49 appreciation in one session, followed by a $22 drop for another day's chore.

* * *

For group action, the better performance was that of the aircrafts which were able to move ahead with more unanimity than any of the other major divisions. General Dynamics and North American Aviation emerged as the bellwethers for the plane makers and Curtiss-Wright joined North American among the issues reaching a new 1955 high on the week, to make aircraft representation a fact after a long absence from this tabulation.

Dividends and Splits Significant

The market was so dominated by dividend action, including stock splits, that little other news made any important changes. One exception was G. R. Kinney where the anti-trust forces of the government moved to block a merger with Brown Shoe. The one-session loss of $11.75 in the issue ranked among the most drastic actions of the week. Brown Shoe, however, was thoroughly divergent. It ran up when Kinney broke, but reacted itself when Kinney rebounded from the trouncing, leaving a thoroughly scrambled picture of how the shareholders regarded the news.

* * *

Some stirrings were apparent in the specialties, including the road-building equipment firms. Baldwin-Lima-Hamilton, a pet early in the year after which it was somewhat seriously deflated, was able to make good upward strides at times. It had been sheared in half from the year's peak of above 24 by the subsequent reaction and its new strength started from only a meagre fraction above the year's low. Allis-Chalmers, which also has a hand in the road-building equipment field, was another issue rather generally favored as behind-the-market. It, too, had been lolling at around the year's low recently putting it in a decidedly above-average yield of well past 6%.

A Recommended Specialty

Another issue that was appearing among the specific recommendations was King-Seeley, in the auto parts group. The stock had had little action all year which makes it definitely neglected in view of all the wild market actions generally. In fact, the issue hasn't even built up a 10-point range for the year although it did succeed in nudging its all-time high a couple of pegs higher. It, too, has been available recently in the somewhat exclusive group of issues yielding as much as 6%.

* * *

Action in the oils was highly divergent, and again a case largely of individual reaction to dividends. Continental Oil, which posted a brand new high only recently, backed away from it with enough determination to make it somewhat prominent on the casualty side. Standard Oil of Jersey, on the other hand, was buoyed by its already-approved split proposal and managed to hold with the more buoyant issues.

Revival in Amerada

Amerada, which has been a laggard for long after having earned the reputation earlier of being the wonder stock of the post War II era, was back in some demand, not the least of the attractions being that it was available at 25% under its year's high which, incidentally, has still to best the peak of 1952. It was the No. 1 holding of the mutual funds steadily until the 1955 mid-year reports showed it down to fourth position in such holdings. The fact that it was the top holding for so long precluded any solid support of new buying from this important institutional quarter.

* * *

Zenith has had a good share of ardent followers recently but the stock, marketwise, is far from being a sensation. Part of its basic support evaporated to a degree when the Federal Communications Commission indicated that the field of paid-TV, in which Zenith is so prominent, would be a long time being resolved. Part of Zenith's appeal has been that a speedy decision favoring subscription video would be handed down.

* * *

Westinghouse has come on somewhat better ways after it had been badly shaken out to the tune of some 30 points from the year's peak. It was able to mount some sustained strength at times and, at least, was not spending a good share of its trading life tinkering with the new lows list. It certainly is not in step with the picture of the averages poised to assault the old highs.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

With Glenn Kolb

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert T. Kittleson has joined the staff of Glenn Kolb & Co., 509 17th St. He was previously with Honnold & Co., Inc.

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Should We Trade With the Communist Governments?

By J. ANTHONY MARCUS*
President, Guardian Oil Company
President, Institute of Foreign Trade

Former Russian immigrant and government employee, who has spent considerable time in Russia on missions for American business firms between 1920 and 1939, in pointing out as the great objective of Russia the "communization of the whole world," strongly urges we have no trade relations with the Soviet Union or its satellites. Says, in our relations with the Soviet government, we have been travelling a one-way street, and have emerged "cheated and defeated."

The subject of whether we should trade with the Communist Governments is not only timely but most vital. In the light of the Soviet regime's behavior during the past 38 years in its own domain where it has murdered many millions of its own people in order to remain in power, as well as abroad; in the light of our own experience since recognizing that evil regime in 1933, it is imperative that we examine the pros and cons of trading with the Kremlin.

There can be no question of trading with the "peoples" behind the iron curtain. In the conspiratorial plans of the Communists, the peoples do not count. As Lenin said early after the revolution: **"I spit on Russia! It is merely one phase through which we must pass on the road to the world revolution."** In other words, the peoples they rule are merely guinea pigs for the greater objective—the communization of the whole world.

For that very reason the oppressed peoples under communism are our allies. They hate their regimes far more than we do, for they have been tasting the lash of the most cruel and barbaric regimes for decades. We cannot trade with those peoples because free trade as we know it was abolished there long ago. Yet there are simpletons among us who do not even know that trade with the Communists must go through the tight little hole of the foreign trade monopoly created by the Communist governments. That monopoly is a powerful weapon in the hands of the Communist regimes and it is being constantly used against the free countries, notably the United States. Since the revolution, internal conditions due to the refusal of the vast majority to bow to their oppressors, lack of industrialization, and the Second World War have hampered the Soviet's design of stifling our international trade. But the road is now clear and within a relatively few years the economies of the free nations will begin to feel the dead hand of that unscrupulous, unethical and murderous regime in the international arena. That is being greatly accelerated by having swallowed up the highly industrial communities in Czechoslovakia, Eastern Germany, Hungary and Poland.

Travelling a One-Way Street

In all our relations with the Soviet Government we have been travelling a one-way street. From every conference we have emerged cheated and defeated. Yet we keep on asking for more, keep on walking into more traps. We have always been on the giving end and in return have received insults and injuries. In 1925, while in Moscow, negotiating for a concession, which, of, course, never came to fruition, a wise and prominent Russian engineer warned me: "You Americans will help us industrialize our country, and we will repay you by creating a revolution in your country and destroying your freedoms." While it sounded far-fetched at that time when Russia was impotent industrially, economically and militarily, this is no longer the case today.

We had been promised billions of dollars' worth of orders after recognition and we did not have to wait long to discover it was a fraud perpetrated deliberately in order to drag us into becoming bedfellows with communism, to enhance its prestige all over the world and open the door to those gangsters for greater economic and military espionage. But there was one American who knew the score. His name was William C. Bullitt who was to become our first Ambassador to Russia. In a memorandum to the State Department on Oct. 6, 1933, five weeks before we recognized the evil power, he warned:

"Before recognition and before loans, we shall find the Soviet Government relatively amenable. After recognition or loans, we should find the Soviet Government adamant."

That is precisely what happened. Buying from us sorely-needed machinery and equipment valued at about $46 million annually—a mere drop in the ocean of America's vast economy—selling us their merchandise we could have done very well without, the Soviet spying commissions, parading under the guise of "buying commissions," have carried away technological know-how worth to them billions of dollars. That technological rifling in America has helped build the menacing power the Soviet regime is today. Thus ended our first honeymoon with Soviet communism.

Giving Away Our Birthright to an Enemy

By 1941 our government and people should have known that we had given away **to our eternal enemy** our birthright for a mere mess of pottage. Facts which have since come to light prove conclusively that the lesson had gone unheeded. Beaten by the onrushing German war machine from the West and torn by the hating masses of its own population in the East, the Communist rulers of Russia knew that the jig was up. However, to their rescue came first Sir Winston Churchill and then the late President F. D. Roosevelt with his trusted socialist flunky, Harry Hopkins. With his armies surrendering by the hundreds of thousands, refusing to fight for Communism or for Stalin, had the leaders of our government had vision and had they learned something from the voluminous reports by Ambassador Bullitt between January, 1934 and April, 1935, we could have arrested the menacing march of the Communist hurricane by wresting concessions from the Russian peoples. The whole world would have been a happier and safer place to live in today.

But genuine experts on the subject were not wanted by the white father in the White House who, according to recent revelations by ex-President Harry Truman, was his own Secretary of State, his own Secretary of the Treasury, his own Lend-Lease Administrator handing out to Stalin not only the wherewithals for the prosecution of the war against the Nazis, but hundreds of millions of dollars' worth of industrial items to strengthen the military striking power after the war. At the same time nothing, absolutely nothing, was demanded in return that could benefit this country.

Thus we have inherited from such mismanagement a world where freedom is dead for one-third of the human race, where peace lay prostrate, and the chances of an atomic-hydrogen war hanging eternally over our heads, with taxation in America bordering on confiscation, and no relief in sight.

Normal and rational people would have hoped that this second honeymoon with deadly Communism would have taught our officials in Washington and our educators, editors, lawyers and businessmen that no good could ever come to us in any dealings with the Soviet regime. But No! That lesson too has fallen on barren soil.

Once more we are hell bent on a third honeymoon with the same international brigands. The head of a House-Builders Association entertains a Soviet building mission representing the world's greatest murder gang ever known, a regime which has slaughtered and maimed about 150,000 American boys right after we had given ample evidence of our friendship by pouring out our treasure running into the many billions of dollars and our blood in an effort to save the Soviet regime from imminent destruction by the German war machine. The same stupidity is to be found among other segments of our population. Those uninformed Americans have yet to learn that should these Communist gangsters ever achieve their goal, they and all other intellectuals, industrial executives, bankers, home builders, religious leaders, etc., would be the very first to be liquidated.

The National Council of the Churches of Christ in the U. S. A. decided on Oct. 5 to exchange delegations between church leaders with the Soviet Union. The Council President informed the press that, as reported in the New York "Times" of Oct. 6, "the idea of an exchange visitation came from the Russian churchmen." That in itself proves conclusively that it is a propaganda trick of the Kremlin hierarchy. No Russian churchman would ever dare to approach anyone in a foreign country, and least of all religious leaders whose counterpart in the Soviet Union had been destroyed by the tens of thousands, about visiting a foreign land. The surviving church leaders in the Soviet Union are mere puppets in the hands of the Kremlin. They must do their bidding or face liquidation. But apparently the history of religious persecution and the murder of its leaders has made no impression on some men of God who have chosen to compromise with evil.

"Gravediggers of Freedom"

Have our people been totally brainwashed? Have our leaders joined the Ostrich family? It would seem so, for they are preparing themselves by word and deed to go down into history as the "Gravediggers of Freedom" of the current century, the freedom so dearly bought by the founding fathers and the generations that succeeded them.

What, for example, did the instigators of the farm delegation exchange with Soviet Russia expect to accomplish for America? I doubt if the editors and publishers of the Des Moines "Register and Tribune" who sparkplugged the movement had ever asked themselves that question. Many of us could have warned them that while we in America could never derive a single benefit the Soviet Union would be the greatest beneficiary. It carries a priceless propaganda value for them to have delegations from this country, be entertained and shown around. It helps the Soviet gangsters **to convince their recalcitrant masses of Russia that it is futile for them to resist the Communist regime,** as they have been ever since 1917 and paid for it with millions of lives. Are not the representatives of the mighty American democracy hobnobbing with the Soviet missions? Are they not breaking bread and drinking toasts to each other? It helps the Soviets to alienate the friendship which the Russian masses, in their misery, have for the American people, it helps allay all hope of liberation coming from the peoples still free. And if, God forbid, the day should come when oppressed victims of communism should lose all hope for our understanding and encouragement to keep on the fight against their oppressors and make peace with their regimes, then we will be facing a power which will be invincible. If that is what Americans want, by all means carry on this delegation exchange madness to epidemic proportions.

While our delegation could learn nothing, absolutely nothing of the slightest benefit to our agricultural industry, for example, the Soviet delegation has carried away and will continue to receive invaluable scientific and technological information to help strengthen the Soviet economy, to strengthen an enemy sworn to communize the whole world. For 38 years the Soviet Government on its own has not been able to solve its food problem. By their own admission the production of meat and other essential foodstuffs in 1954 was lower than before they came to power, despite the enormously increased population. To leave them stew in their own juice helps discredit them before their own people as well as gullibles abroad who think that communism is the road to paradise. It helps fan the flame of discontent against their oppressors and hasten the day when the Russian peoples will rise to destroy their tyranny. But to do what we are doing today is hurting the cause of freedom in Russia and hurting our own interests which lay with those freedom-yearning peoples.

Hobnobbing With Communist Murderers

And if anyone here is so gullible or so ignorant as to believe that this hob-nobbing with the Communist murderers is going to lead to lessening tension and promote peace, anyone who hopes that this is going to induce the Soviet leaders to give up their goal of world conquest for communism, Nikita Khruschev has already served warning to them when he assured the gullibles that they will have to wait until "a shrimp whistles."

That warning, too, I am afraid will roll off the minds of our so-called leaders like water on a duck's back, unless wiser and more courageous people in America bestir themselves and take the lead in this particular field out of the hands of incompetents, dupes and ignorance - inspired cowards.

What is true about the farm delegation exchange is equally true of all other exchanges to follow. And it looks as though the epidemic is growing. Take for example the stupidity of inviting to our shores a Soviet housing delegation. I know something about housing in the Soviet Union. As representative of America's leading manufacturer of housing construction equipment, I spent many months there, travelling widely before the Second World War. One day the Ministry of Local Industries in Moscow arranged a luncheon for me with about 100 engineers and technicians. They were seeking information how to solve their housing problem. In my Russian address I remarked that on the basis of my observations throughout Russia I would say that about 70% of all dwellings would have to be razed before there could be any thought of modernizing living quarters. An elderly engineer rose: "You are mistaken, Mr. Marcus. Ninety-five percent would be more accurate." Of course, a few months later, when the purge began to rage in full, such a remark to a foreigner might have landed the engineer in the executioner's chamber pronto.

The recent war, of course, has seen a worsening of housing conditions. That is why a commission has been rushed here to learn all it can from our free enterprise experience, the very free enterprise they are out to destroy. And some of our people are falling all over themselves trying to ingratiate themselves to the Communist gangsters, not knowing that these people do not represent the peoples of Russia, not realizing that what they are trying to do is intended to help the Soviet regime, which is bad for the Russian masses and therefore bad for us as well.

A Delegation of Soviet Editors

At this very moment a large Soviet delegation of editors has prepared to enter the United States. Those are the masterminds who for years on end kept vilifying the good name of America at home and all over the world. These are the same people who day in and day out kept repeating to the world such statements as follows from the pen of K. Simonov in the Pravda, Nov. 22, 1946:

"There can be no breathing space in ideological warfare. On the ideological front, we must and we shall fight not by passive resistance but by an active and unceasing attack on our enemies. This is what the Party of Lenin and Stalin teaches. This is in accordance with our tradition . . . Let the enemy consider us nasty people. From the mouth of the enemy this is praise."

And who was the "enemy"—the U. S. A., of course, the people who only a year earlier had helped save the very government of Russia from destruction. Maybe we deserve what we have been getting from the Kremlin by refusing to repay the $11 billion, return the hundreds of naval vessels lend-leased to the gangsters, release innumerable Americans languishing in slave labor camps and jails, the shooting down of unarmed American planes, the instigating of the Korean War which has cost us tens of thousands of American lives and tens of billions of dollars. We should and could have known who our diplomatic bedfellow was. The files of the State Department have been bulging with reports from our Moscow Embassy since 1934. But the responsible people in government refused to heed them or even to read them.

Now everything is going to be honky-dory. American newspaper correspondents in Moscow are drinking toasts with the Soviet editors about to depart for our shores, to spy on us, to dig out everything that is bad about us and to parade it later in the Soviet Union as representative of America and Americans. And our gullible newspaper boys are toasting, according to a New York "Times" dispatch of Oct. 5, "the

Continued on page 35

*A talk by Mr. Marcus before the Sales and Advertising Managers Division of Trenton, N. J. Chamber of Commerce.

Steady customer gain brings Northern States Power Company 21 straight years of revenue growth

Since 1933, NSP has added 280,915 new customers—every year showing a gain—to play a major part in NSP's 21 years of steady growth in operating revenues, which in 1954 reached a new high of $117,739,000. Long range business forecasts indicate that this customer growth will continue. In fact, building estimates point to more than 15,000 new homes in our service area in 1955.

This, plus the fact that our average residential customer uses about 90 more kilowatt hours per year than the national average, leads us to expect a 100% increase in electric sales within the next ten years.

More than 42% of our electric revenues comes from our ever-growing residential-rural sales—the least sensitive to business fluctuations. The remainder of our income shows a healthy diversification: industrial, commercial and other sales.

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British Credit Squeeze Ineffective

By PAUL EINZIG

Calling the British Government's credit squeeze ineffective, Dr. Einzig says prospects of an adequate degree of disinflation in Britain does not appear to be bright. Says credit restriction has led only to more borrowing from non-banking sources, and holds there is reason to suspect this has led to further increase in borrowing. Concludes nothing short of breaking the wages spiral could solve problem of Britain's economy.

LONDON, Eng.: The November bank figures disclosed no noteworthy progress in Britain's credit squeeze. It is true, advances were down by £41 million, but this was entirely due to repayments by the nationalized electricity industry out of the proceeds of a government-guaranteed long-term loan. Advances to the private sector of the economy were, if anything, higher, and there was also a rise in the amount of deposits. This result is utterly disappointing. It is true, bank deposits have declined by about £250 million during the past 12 months, but a large part of this decline has been offset by the increase in the note circulation. At this rate the prospects of an adequate degree of disinflation do not appear to be very bright.

Paul Einzig

Nor is this the whole story. Even to the inadequate extent to which banks have curtailed credits, many of their debtors have been able to borrow non-banking funds. This has been particularly easy for firms engaged in instalment credit transactions. The margin of profit on such transactions is so wide that the firms concerned are in a position to pay very high rates of interest which attract deposits from banks. This does not mean that the banks have any less deposits. Under our modern banking system aptly described by Whittlesey, in his "Readings in Money and Banking," as "one of the marvels of a complex financial society," any money withdrawn from the banks in such circumstances does not leave the banking system at all. It merely changes account, or possibly it may change bank, but the banking system as a whole will have as much money resources as it had before the transaction. The check with the aid of which a deposit is withdrawn is bound to be paid into some other account, so that the total of bank deposits remains unchanged. All that happens is that an idle deposit is converted into an active deposit. In other words the velocity of circulation of the deposits increases, which tends to produce precisely the same effect as a corresponding increase of their total amount.

Instalment credits are not the only sphere in which expanding demand is financed by means of non-banking resources. The insurance companies have also expanded the amount of their lendings to business firms. In a known instance, the proprietor of a small firm, whose overdraft with his bank has always been covered by his life insurance policy, was informed by his bank manager that the limit of his overdraft had to be reduced. Thereupon he went to his insurance company which was only too pleased to lend the full amount corresponding to the surrender value of his life policy. Insurance companies have ample resources for such purposes. Owing to the high interest rates paid by borrowers inconvenienced by the credit squeeze, it is worthwhile for the insurance companies to sell out some of their Government securities in order to satisfy the demand for short-term loans. Here again the amounts granted by the insurance companies are additional to the total of bank credits.

There is indeed reason to believe, even in the absence of statistical material, that the combined total of banking and non-banking credits has actually increased during the period of the so-called credit squeeze. In all probability the expansion of non-banking credits has more than offset such reduction in the volume of bank credits as has been achieved. In the circumstances it is no wonder that over-full employment continues unabated and that there is no sign of any slackening of consumer demand.

The main reason why the bank credit squeeze is ineffective lies in the fact that the private sector of British economy is well provided with liquid financial resources and that owing to large-scale capital expenditure by the public sector of the economy, these liquid resources tend to increase further. There has been a considerable increase in the volume of bank deposits since the war and the amount of easily marketable Government securities runs into astronomic figures. Even though the Budget is balanced in the sense that current expenditure is covered by current revenue, there is nevertheless deficit financing for the purpose of capital expenditure by the Government and by the innumerable public corporations which are authorized to issue loans under Treasury guarantee. Such Budgetary inflation is in itself more than sufficient to offset the limited disinflationary effects of the credit squeeze.

To the extent to which the private sector is in a position to finance itself with the aid of non-banking loans, the official policy of credit squeeze is largely helpless. Admittedly, all debtors or would-be borrowers are not in a position to borrow from non-banking lenders. In order to make the credit squeeze effective, it will be necessary for the banks to squeeze very hard those borrowers who depend entirely on bank credits, so that the reduction in their loans should considerably more than offset the increase in the non-banking loans to other borrowers. It is, of course, unfortunate and unfair that the burden of the credit squeeze should fall so unevenly on various types of borrowers. In particular, private persons and small firms are being squeezed very hard by their bank managers, while bigger firms are well in a position to continue to get all the credit they need.

The unfairness of the system is one of the reasons why British opinion is gradually hardening in favor of a higher bank rate. Many people believe that if only high interest rates were allowed to produce their automatic effects, all would be well. In reality the situation is not so simple. So long as there is persistent consumer demand resulting from over-full employment and the wages spiral, producers will gladly pay the higher interest rates, not only on their working capital needed for their increased output, but also on capital expenditure in connection with the expansion of their producing capacity. The rate at which interest charges would become prohibitive must be very high in the circumstances. Nothing short of the breaking of the wages spiral could solve the problem of the British economy.

Johnston, Lemon Group Offer Lincoln Service 5½% Debentures

Johnston, Lemon & Co., on Nov. 29, headed an underwriting group offering $4,000,000 Lincoln Service Corp. 5½% 12-year sinking fund capital debentures, due Dec. 1, 1967, at 97.85% and accrued interest.

The company intends to use approximately one-half of the net proceeds from the sale of the debentures, to reduce its short-term indebtedness to banks or upon commercial paper, or both. The balance of the net proceeds will be added to working capital.

The debentures are redeemable, at the option of the company, at general redemption prices ranging from 104% to par, and for the sinking fund, at prices receding from 102% to par, plus accrued interest in each case.

Lincoln Service Corp., with executive offices in Washington, D. C., is engaged primarily in the consumer finance business, making small loans usually $300 or less, and discount loans to individual borrowers; and to a much lesser extent, in purchasing accounts receivable. As of Sept. 30, 1955, the company operated 76 loan offices located in Florida, Georgia, Kentucky, Louisiana, Maryland, Pennsylvania, Texas, Virginia, and West Virginia.

For the year ended June 30, 1955, Lincoln Service Corp. had gross operating income of $4,201,492 and net income of $826,909. Upon completion of the current financing, outstanding capitalization of the company will consist of $6,918,000 of funded debt; 146,644 shares of common stock and 80,000 shares of $1.50 cumulative preferred stock.

Other members of the underwriting group include—Union Securities Corporation; H. P. Wood & Co.; Auchincloss, Parker & Redpath; R. S. Dickson & Co., Inc.; First Securities Corp.; G. H. Walker & Co.; Goodwyn & Olds; Jones, Kreeger & Hewitt; Mackall & Coe; Mason-Hagan, Inc.; Chace, Whiteside, West & Winslow Inc.; Doolittle & Co.; Clement A. Evans & Co. Inc.; Scott, Horner & Mason, Inc.; Stein Bros. & Boyce; Rouse, Brewer & Becker; Stirling, Morris & Co.; Barrett & Co.; C. F. Cassell & Co., Inc.; Irving J. Rice & Co., Inc.; C. T. Williams & Co., Inc.

Murray Secs. Corp. Opens

BRONX, N. Y.—Murray Securities Corporation is engaging in a securities business from offices at 1135 Pelham Parkway, North. Officers are William Murray Zwang, President and Treasurer; Mildred Zwang, Vice-President and Secretary.

T. F. Neblett Opens

LOS ANGELES, Calif.—Thomas F. Neblett is conducting a securities business from offices at 608 South Hill Street.

R. G. Tuggle Opens

WOODSON, Texas — Roy G. Tuggle has formed Roy G. Tuggle and Associates to engage in a securities business.

Hooker Fay Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas H. O'Connor and Winifred A. Kelley have joined the staff of Hooker & Fay, 221 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Continued from page 4

Business Prospects—The View from Detroit

is relying more and more upon automobiles, there is the further stimulation of demand for cars that comes from the yearly improvements in automobiles. The record sale of cars this year has been due in part to the drastic, industry-wide advances in the models introduced to the public last fall. But this fall another wide assortment of improvements has been presented to the public, and with competition as hot as it is, you can be sure that the industry will go right on creating new models and new features year after year.

It isn't too unlikely that within the next decade there will be an entirely new kind of engine powering your car. Already, as you may have heard, the whole industry is researching and experimenting and testing to find out how to build a production model of a gas-turbine engine. This is an engine that has no pistons—that needs a sparkplug only to get started—an engine that needs no octane rating for its fuel. I am proud to say that Chrysler Corporation was the first company in the United States to design a working gas-turbine engine that could be installed in a passenger car of normal size and which could be driven on city streets. Undoubtedly there is a Plymouth with a gas-turbine engine being test driven in city traffic on the streets of Detroit right now. There are a great many problems ahead of us before we are ready to put an engine of this kind on the market, but someday this or some other new kind of engine will obsolete every car now in use. What if the gas-turbine should come in ten years and an even more revolutionary engine in twenty? What would that do to the idea that has appealed to some people of a nice standardized car that never changes?

In the automobile business you have to be ready for new and radical developments in product and in methods—and you have to beat the other company to those new developments if you can. Competition in this industry is in constant, accelerating motion at every level. You have to move fast to beat your competitors and when you do beat them, you generate new competitive energies on their part. That's the nature of the business and we wouldn't want it any other way.

Competition of this kind is creative. It makes innovation inevitable. It demands efficiency and higher productivity year after year. It brings values up and costs down. But beyond all these things, competition creates interest among millions of people in new and better products. It creates markets—and these markets mean jobs and opportunity in virtually every other economic activity in all parts of the country.

One of the most powerful stimulants for the economy at the present time is investment in plant and equipment by industry generally to prepare for the tremendous markets that are going to open up in the years ahead. You know that business investments in new plant and equipment are running at the highest rate in the history of the country—very close to $30 billion a year.

You know also that the automobile companies have been investing very large amounts in expanded facilities to keep pace with the growth of the country and to get the jump on their competition if they can. At Chrysler Corporation, we have been doing a lot of planning ahead for future building. In the past year we invested $130 million in expanded and modernized plant and equipment. But this is hardly a start on our long-range investment program.

Every division and department in our company is looking ahead, sizing up its future opportunities and making plans to expand its personnel and facilities to take advantage of those opportunities. These plans are not fixed and sacred blueprints. They are subject to change as new facts, new ideas and new developments indicate the need for change. Our forward planning is continuous.

A Billion for Improvements

The way it looks right now, taking into account the probable increase in demand for our products and plans for modernizing our plant and equipment, in the next five years we will put over a billion dollars on the line for capital improvements and expansion. This amount is exclusive of tooling. It includes the cost of land, buildings, machinery and other equipment.

Part of that total will be invested in facilities for manufacturing passenger-car bodies. Another sizable amount will go into building new assembly plants and improving old ones. We will also spend large amounts on the expansion and modernization of plants to build engines, transmissions and other automotive components, and on new office buildings to house the management staffs required for this growth.

One of the most important investments in our forward plan is a very substantial amount for providing additional buildings and laboratory facilities for our engineering activities. Our expanded engineering program will be devoted primarily to research, experimentation and testing to improve our automobiles and trucks and find new ways to adapt advanced automotive design to advanced production methods and facilities.

In addition, we are expanding our research in the development of the gas-turbine and other experimental automotive engines, in the field of nuclear energy, in electronics, as it applies to vehicles, and in the applications of solar energy.

This whole forward engineering program means that Chrysler Corporation is planning to stay in the forefront of our fabulously creative technological civilization. We are moving ahead as an automobile company. We are also planning to move forward in other ways as we uncover promising fields for diversified activity.

Our plans to invest in expanded plant and equipment and in facilities for research are based primarily upon our confidence in the dynamic future of this country. They are also based upon our confidence in the future of Chrysler Corporation as an eminently successful company and as one of the creative centers of the economy. In responding to the competitive challenge that faced it in 1954, the whole Chrysler organization has developed a drive and a momentum that in my experience can be compared only with the spirit and energy of the company when it was making its big move in the Thirties.

I have given you the figure of a billon dollars plus as the probable size of our investment over the next five years. But it may very well be that if the company continues to move in the years ahead as it has in 1955, we will find it necessary to revise our investment plans upward.

We, like other companies, will invest sizable amounts to keep our productive machinery up to the minute. Much of this machin-

ery will be automatic. In recent months we have all heard a lot about automation, and it is not my intention to go over that familiar ground again today in any detail. However, I would like to make a brief comment on this matter.

Advantages of Automation

I believe that in the rapid development of automation at the present time there are three tremendous advantages to the economy.

First — Automation is coming along at a time when the total population of this country is increasing much faster than the number of people available for productive work. It has been estimated, for instance, that in the next ten years the population will increase by 20% and the portion of the population available for work by only 6%. In this situation, with proportionately fewer hands to do a lot more work, automation is going to be a very timely blessing indeed.

Second—By increasing our efficiency in the volume production of goods and services, automation will help us control the pressure toward inflation which is always present in a dynamically expanding economy like ours.

Third — Like every other advance in efficient production, automation will raise quality, lower costs and widen markets. And this will put steam into the forward drive of the whole economy.

Over and beyond these benefits to the economy, automation will make even more desirable than ever the jobs of factory workers. Untold numbers of them, for example, will be trained to move into more highly skilled jobs such as millwrights, repairmen and electricians—at better ratings and better pay.

Investment of the kind now being made by American business means the broadening and strengthening of the whole economic base upon which our society is built. It means confidence. It means more and better jobs. It means strength and security for the nation. It means an increase in the national wealth—an increase which will enable us as a people to go on building the kind of civilization we all want.

I am thinking of such things as better roads, hospitals, playgrounds, better enforcement of our laws, and more attention, for instance, to the recreational needs of our teenagers. I am also thinking of our tremendous needs in the field of education.

This country has reached a point where the vast majority of people agree on a number of big, decent, humane objectives. And the energies to keep us moving toward those objectives will come out of the creative ideas of our scientists and engineers, the confident investment in the future on the part of business, and the hard work and ingenuity and idealism of the American people generally.

Along the way we will generate plenty of disagreements and tensions on ways and means. But out of those disagreements and tensions will come progress, just as progress emerges from the hot and heavy and hectic competition among the automobile companies.

In this country that's the way we get results. And if we go on building on the solid foundation of confidence and good will and agreement on basic American values, we will continue to achieve great things for ourselves and for the world.

To Be Benton Partner

William A. Benton, member of the New York Stock Exchange, on Nov. 25 will become a partner in Benton & Co., 11 Wall Street, New York City, members of the New York Stock Exchange. Mr. Benton was a partner in William A. Benton & Co. which has been dissolved.

Teachers Study Work Of N.Y. Stock Exchange

Four hundred social studies teachers from colleges and high schools throughout the country went to school on the trading floor of the New York Stock Exchange Nov. 23 to see how the world's largest securities auction market operates.

After the close of the day's trading, a group of Exchange specialists put on a special demonstration for the teachers—enacting all the phases of market transactions just as they occur in actual trades.

It was the largest group visit to the trading floor in the Exchange's 163-year history. The teachers are in New York attending the 35th Annual Convention of the National Council of Social Studies at the Hotel Statler. The Council is a Department of the National Education Association.

After the market demonstration, coffee and cake were served to the visitors on the trading floor.

Ruddick C. Lawrence, Vice-President of the Exchange, welcomed the group, which included Professor Edwin R. Carr of the College of Education of the University of Colorado, President of the National Council; Professor Helen McCracken Carpenter of State Teachers College, Trenton, N. J., First Vice-President of the Council; and Professor William H. Cartwright of Duke University, Durham, N. C., Second Vice-President of the Council.

Brand, Grumet Partner

Leonard Grumet will acquire a membership in the New York Stock Exchange and on Dec. 1 will become a partner in Brand, Grumet & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Cooke & Lucas Admit

Edwin A. Meyer will acquire a membership in the New York Stock Exchange and on Dec 1 will be admitted to partnership in Cooke & Lucas, 120 Broadway, New York City, members of the New York Stock Exchange.

Joins Lundborg Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF. — Cecil T. Thomas, Jr. is now with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges.

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GRANT BUILDING PITTSBURGH, PA.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

At a regular meeting of the Board of Directors of **The First National City Bank of New York** held on Nov. 29, Alan McK. Welty was appointed an Assistant Vice-President, and William H. Osborne and Willard Stripling were appointed Assistant Cashiers. Mr. Welty is with the bank's office at Fifth Avenue and 28th Street, and Mr. Osborne and Mr. Stripling are with the bank's Personal Credit Department at 42nd Street and Madison Avenue.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company of 100 Broadway, New York,** held on Nov. 29 Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President, announced the election of Stockton Green as Vice-President in charge of the Administrative Division, and the appointment of William P. Kau as Assistant Vice-President of the Company.

* * *

Sir Hugh Stott Taylor has been appointed scientific Consultant to **the United States Trust Company of New York,** according to a statement released Nov. 30 by Benjamin Strong, President. Dr. Taylor was made a Knight Commander of the British Empire by Queen Elizabeth for his services to Britain during two world wars. During the latter part of World War II, he was attached to the Manhattan District Project, the United States Secret atomic energy program. As Scientific Consultant to United States Trust, Dr. Taylor will advise on matters arising in the field of scientific development, providing the Trust Company with information for its use in planning long-range investment policy.

* * *

The appointment of W. Howard Lowe, Vice-President of the **Long Island Trust Company, of Garden City, L. I., New York** as Manager of the bank's new Stewart Manor Branch, at 110 Covert Ave., has been announced by Fred Hainfeld, Jr., President. The new office, now under construction, will open about Jan. 10. Mr. Lowe, has been with Long Island Trust Company for the past 12 years. He saw prior service with the Bank of Valley Stream, Springfield Gardens National Bank and the Little River Bank and Trust Company of Miami, Fla. Last July, Mr. Lowe was promoted to a full Vice-Presidency position. The Stewart Manor Office is the third branch to be opened by Long Island Trust Company in as many years. Other offices are located in Great Neck and East Garden City with The Main Office at 82 Seventh St., Garden City.

* * *

"The action of the Comptroller of the Currency in placing a temporary moratorium on bank mergers will not retard the continued growth of the **Franklin National Bank," of Franklin Square, L. I., N. Y.,** according to an announcement made Nov. 22 by Arthur T. Roth, President. Mr. Roth added:

"With our 20 offices strategically located in all parts of Nassau County, we have potentials for substantial continued growth in deposits and service to the public. In addition, we have a number of applications for branches in fast growing areas of the County pending approval in the Comptroller's Office and we expect to receive permission to establish new offices in these areas. Approximately 70% of the bank's growth" he said "has been normal growth, while only 30% has been the result of consolidations."

Mr. Roth added that the "Franklin National plans the erection of a bank and office building at Roosevelt Field and that it is starting the erection of a new bank building in Rockville Centre and a large addition to its Farmingdale Office, as well as an addition at the Franklin Square Office. New bank buildings" he further said "are to be erected at Plainedge, New Cassel and Herricks Road, Mineola. In addition, a number of new offices are expected to be opened in those areas where branch applications are pending."

An item bearing on the proposed barring by U. S. Comptroller of the Currency of further bank mergers by two banks in Nassau County and Suffolk County, Long Island, N. Y., appeared in our Nov. 24 issue, page 2199.

* * *

Carl C. Miller, area Vice-President in charge of **The County Trust Company's Larchmont, N. Y.** and **Mamaroneck, N. Y.** operations, completed 35 years of service with the bank on Nov. 27. Before attaining his present position in 1949, Mr. Miller spent 29 years with the bank's Port Chester office.

* * *

In the Comptroller of the Currency Bulletin dated Nov. 21, it is announced that the **First National Bank of Elmsford, at Elmsford, N. Y.,** with common stock of $140,000, was merged with the **County Trust Co. of White Plains, N. Y.** under the charter and title of the latter, as of Oct. 28. It has also been made known by the Board of Governors of the Federal Reserve System that the County Trust took over the **Dobbs Ferry Bank of Dobbs Ferry, N. Y.** as of Oct. 31. An item bearing on the plans for the merger of the Elmsford and Dobbs Ferry Banks with the County Trust Co. appeared in these columns Sept. 29, page 1316.

The New York State Banking Department announced on Oct. 28 that approval had been given to a certificate of increase of capital stock of the **County Trust Co. of White Plains** from $6,094,750 consisting of 1,218,950 shares par value of $5 per share, to $6,337,250 in 1,267,450 shares of the same par value. The previous increase in the company's capital stock to $6,094,750 was referred to in our issue of Sept. 22, page 1182.

* * *

Under the charter of the **National Bank of Middletown, N. Y.,** which had common stock of $250,000, a consolidation of that bank and the **National Bank of Pine Bush, at Pine Bush, N. Y.** with common stock of $50,000 under the title of the **County National Bank of Middletown** has been effected. At the effective date of the consolidation (Nov. 10) the consolidated bank it is announced had a capital stock of $310,000, in 31,000 shares of common stock, par $10 each, surplus of $630,000 and undivided profits of not less than $221,217.

* * *

Directors of the **First National Bank of Jersey City, N. J.** announce that they have voted to recommend to the shareholders that 3,600 additional shares of $25 par value stock be authorized to be declared as a dividend to stockholders of record Jan. 10. This will be the bank's second stock dividend and is in addition to the regular 50 cents quarterly disbursement. If approved by the shareholders and the regulatory authorities, the dividend will be paid on Jan. 25, and will increase the shares outstanding to 126,000. This will bring the bank's capitalization to $3,150,000. Surplus will be increased to an equal amount at the same time. Reference to plans incident to the proposed second stock dividend appeared in our issue of Oct. 27, page 1768.

* * *

President George W. Bauer, of the **Union County Trust Company of Elizabeth, N. J.** announced on Nov. 17 that the directors of the bank had declared a cash dividend of 50 cents per share payable Dec. 16, to stockholders of record Dec. 1. Also, that the directors are recommending that the stockholders, at their annual meeting on Jan. 17, approve an amendment to the Certificate of Incorporation, which will enable the directors to declare stock dividends from time to time at their discretion. The existing Board of Directors recommends, upon the approval of this amendment by the stockholders and the Commissioner of Banking & Insurance, that an initial stock dividend of 4% be declared by the subsequent Board of Directors to be paid as soon thereafter as possible. The date of record and the date of payment will, it is noted, be determined by the new Board of Directors. It is pointed out that the delay in the payment of a stock dividend is necessitated by the fact that under the existing charter no stock dividend may be paid without the approval of the stockholders.

* * *

The proposal of the **Philadelphia Savings Fund Society of Philadelphia** to establish a branch in Suburban Square, **Ardmore, Pa.** was approved by the State Supreme Court on Nov. 21, when it reversed the State Banking Commission, which a year ago turned down the proposal on the ground that banking facilities in Ardmore were adequate. According to the Philadelphia "Inquirer" of Nov. 22, Justice Charles Alvin Jones who wrote the opinion held that the Banking Board's conclusion that the community now has adequate banking facilities at the present time was "a bald and capricious conclusion without a single finding of fact to support it." The "Inquirer" continued in part:

A strong dissenting opinion was filed by Justice C. Bell, Jr., concurred in by Justice Michael A. Musmanno. The dissent stated that the **Bryn Mawr Trust Co.**, one of the 11 banks which originally protested the branch, would be forced completely and successfully to change the kind of business "which has been its life blood, or it will be controlled with a death warrant—'merge or die.'

Justice Jones noted that of the 11 banks which protested when the proposal first came up, some as far distant as Ambler, Souderton and Hatboro, most did not seriously press their opposition. He said those that did, the Bryn Mawr Trust Co., the Narberth National Bank and the Montgomery County Bankers Association, gave as their principal reason the fear that such a bank would "drain off many of our depositors, meaning, of course, time deposits since the saving bank accepts no checking accounts." According to the decision "the disapproval of the proposed amendment to applicants' charter was arbitrary and unwarranted and must therefore be reversed."

In stating on Nov. 22 that the action of the State Supreme Court in approving the application of the Philadelphia Saving Fund Society to open a branch office in Ardmore "is disappointing," DeHaven Develin, President of **The Bryn Mawr Trust Co.** had the following to say:

"We are in accord with the Court's minority opinion as stated by Justice John C. Bell, Jr. but are disturbed by some statements expressed therein. In his minority opinion Justice Bell stated that the Bryn Mawr Trust Company is 'confronted with a death warrant—merge or die.' We have no plans to merge or die now or at any time in the future. We are in the banking business to stay." Mr. Develin also stated that Justice Bell's inference that the Bryn Mawr Trust Co. is a "little bank" is not backed by facts. The Bryn Mawr Trust Co. he added currently has total assets of $35,000,000 compared with $7,500,000 in 1943, a gain of 367% in 12 years.

* * *

Plans for the establishment of a branch office of the **Second National Bank of Philadelphia** in the heart of the new **Jenkintown** shopping center were announced on Nov. 21 by W. G. Semisch, President. Application has been made to the Comptroller of Currency in Washington, D. C. It is added that a lease has already been negotiated for a store on the Avenue of Shops. In making the announcement, Mr. Semisch stated that while the proposed new Jenkintown office will be located in adjoining Montgomery County, we feel that its close proximity to our other offices is a logical move."

* * *

Fidelity - Philadelphia Trust Company, Philadelphia, Pa., a State member of the Federal Reserve System, merged under its charter and title with **The National Bank of Lansdowne,** at **Lansdowne, Pa.,** as of Oct. 21. A branch was established in the former location of the latter bank. This was noted in the weekly announcement of the Board of Governors of the Federal Reserve System dated Nov. 5. Plans for the merger appeared in our issue of August 25, page 786.

* * *

Plans to merge the **Wayne Title & Trust Co. of Wayne, Pa.** with the **First Pennsylvania Banking & Trust Co. of Philadelphia, Pa.** were announced on Nov. 16. According to the Philadelphia "Inquirer" the plans were approved that day by the directors of the Wayne Title & Trust, subject to the approval by the stockholders of the two banks and to the supervisory authorities. From the "Inquirer" we also quote:

"According to the proposed merger agreement, each share of the Wayne Title will be exchanged for 1.6 shares of First Pennsylvania stock. All officers and employees will be retained following approval of the merger. As of Sept. 30, total assets of the Wayne Title were $13,169,890 and the total deposits were $11,997,000.

"The announcement was made by J. Harold Hallman, President, Wayne Title, and William L. Day, Chairman, and William F. Kelly, President, First Pennsylvania: "Wayne Title, which has its main office in Wayne and a branch office in Strafford, has been a correspondent of First Pennsylvania for over 35 years."

* * *

The Nov. 4 Bulletin of the Office of the Comptroller of the Currency reports that the merger of the **First National Bank of Delaware County, at Media, Pa.** (with common stock of $800,000), with the **Provident Trust Company of Philadelphia,** under the charter and title of the latter became effective as of the end of October. A reference to the merger appeared in our issue of Nov. 3, page 1832.

* * *

Dividend payments of $2 per share by **City Bank & Trust Co. of Reading, Pa.** have been announced by John D. Heckman, President. The board of directors, he said, voted a year-end dividend of 80 cents plus an extra dividend of 50 cents payable Jan. 3 to shareholders of record Dec. 15. The mid-year dividend payment was 70 cents. Dividends during the current year total 20 cents more than the previous high recorded in 1954, Mr. Heckman pointed out. "Our favorable dividend situation," he added, "results from continued good business at our two branch offices and the acquisition of the former **First National Bank in Birdsboro.**

From its Harrisburg, Pa. Bureau the Philadelphia "Inquirer" of Nov. 16 reported the following Scranton, Pa. advices of Nov. 15:

"Directors of **First National Bank of Scranton** and **Scranton-Lackawanna Trust Co.** approved an agreement to merge the two institutions, subject to approval of stockholders and regulatory authorities. The merged bank will be known as **First National Bank & Trust Co. of Scranton.**

"Under the terms of the agreement, the assets and liabilities of Scranton-Lackawanna will be taken over for $2,247,500 in cash, representing a payment of $155 a share for the 14,500 common shares now outstanding."

* * *

At their meeting on Nov. 15, the directors of **The Northern Trust Company of Chicago, Ill.** proposed that the capital stock of the bank be increased from $6,000,000 to $9,000,000 through the payment of a stock dividend, and that surplus be increased simultaneously by $1,000,000. Subject to approval by the stockholders of the proposed increase in the number of shares of the bank's capital stock, the Board declared on Nov. 15 a stock dividend of one additional share of capital stock for each two shares held, payable to stockholders of record at the close of business on Dec. 20. Capital funds for this stock dividend and increase in surplus will be supplied by the transfer of $2,500,000 from undivided profits and $1,500,000 from reserves. Upon completion of the stock dividend transaction, capital stock of the bank will amount to $9,000,000 and surplus will be $15,000,000. The Board has called a special meeting of stockholders to be held Dec. 20 to vote upon the increase in capital stock. It is added that the Board believes that present earnings justify a dividend rate of $10 a year on the 90,000 shares of capital stock which will be outstanding after the proposed stock dividend. This represents an increase of 25% in the cash dividend rate. A meeting of the Board will be held on Dec. 20, after the stockholders' meeting. It is anticipated that if the stockholders approve the increase in capital stock, the Board at this meeting will declare a quarterly dividend of $2.50 a share on the 90,000 shares of capital stock to be outstanding upon the consummation of the stock dividend.

* * *

As of Nov. 17 the **Peoples National Bank of Chicago, Ill.,** reported its capital as enlarged from $250,000 to $300,000 as a result of the sale of $50,000 of new stock.

* * *

The consolidation of the **Industrial National Bank-Detroit** (capital $2,750,000) with the **Manufacturers National Bank of Detroit, Mich.** (capital $8,000,000) was completed as of the close of business, Nov. 18. When the 33 offices of the enlarged bank opened for business on Nov. 21, they operated under the name and charter of the **Manufacturers National Bank of Detroit.** The enlarged Manufacturers National has capital, surplus and undivided profits of more than $38,000,000 and total resources in excess of $750,000,000. On Nov. 17 it was announced that if final consolidation was re-

ceived, Charles A. Kanter, Chairman of Manufacturers National Bank, would recommend to the directors at its meeting Nov. 18 that a dividend of 13⅓ cents per share be declared for the month of October on the 800,000 shares of outstanding stock of record on that date, payable in December. After the consolidation became effective, it was added it was contemplated that a dividend of 26⅔ cents per share be declared in December on the 1,075,000 shares then outstanding for the months of November and December, payable in December. This procedure is necessary it was added in order that the dividend paying dates of the two consolidated banks be the same. It is anticipated that quarterly dividends of 40 cents per share will be continued next year payable in March, June, September and December.

Items regarding the proposed consolidation appeared in these columns Sept. 29, page 1317 and Oct. 27, page 1768.

* * *

Following the recent merger of three **Michigan** banks into the **National Bank of Detroit, at Detroit, Mich.** that bank increased its capital as of Nov. 4 from $23,318,390 to $26,600,000 by a stock dividend of $2,681,610. The merger was referred to in these columns Oct. 27, page 1768. The banks merged with the National Bank of Detroit were the **Rochester National Bank of Rochester, Mich.,** the **Utica National Bank of Utica, Mich.** and the **Grosse Pointe Bank of Grosse Pointe, Minn.** The weekly Bulletin Nov. 4 of the Treasury Department in referring to the consolidation, pointed out that in its previous notice Sept. 20 the common stock of the National Bank of Detroit should have been given as $22,500,000 instead of $22,831,250. The capital stock of the merged bank, it is added, was correctly given as $23,318,390.

* * *

As of Nov. 7 the **Fourth Northwestern National Bank of Minneapolis, Minn.** increased its capital from $200,000 to $250,000 by a stock dividend of $50,000. A similar increase of $50,000 representing also a stock dividend was made to the capital in June last, at which time the bank's capital rose from $150,000 to $200,000. Reference to this appeared in these columns July 28, age 382.

* * *

Both as a result of a stock dividend of $150,000, and the sale of $100,000 of new stock, the **National Bank of Commerce of Lincoln, Neb.** increased its capital as of Oct. 31 from $1,000,000 to $1,250,000.

* * *

The First National Bank & Trust Company of Tulsa, Okla. announced on Nov. 9 that on Dec. 1. F. L. Dunn would retire as Chairman of the Board, but will continue as a director. R. Otis McClintock, President, will become Chairman of the Board; R. Elmo Thompson, Executive Vice-President, will become President; E. F. Allen, Executive Vice-President, will become Vice-Chairman of the Board and Chairman of the Executive Committee; Russell F. Hunt, Vice-President and Assistant to the President, will become Executive Vice-President and a member of the Board of Directors; J. P. Byrd, Jr., Senior Vice-President, will be given the added title of Assistant to the Chairman.

* * *

Hugh A. Logan has been elected a Vice-President of the **St. Louis Union Trust Company of St. Louis, Mo.,** it was announced on Nov. 17 by David R. Calhoun, President.

Mr. Logan was Vice-President in charge of the St. Louis office of Marsh & McLennan, Inc., a nationwide firm of pension actuaries and insurance brokers, from April 1952 until his election as Vice-President of the St. Louis Union Trust Co. His election becomes effective Dec. 1. Mr. Logan joined Marsh & McLennan in 1943 as manager of the life and pension departments in St. Louis, and prior thereto was with Massachusetts Mutual Life Insurance Co. from 1934.

* * *

Effective Oct. 31 the **Citizens & Peoples National Bank of Pensacola, Florida** raised its capital from $200,000 to $400,000, the addition having occurred as a result of a $200,000 stock dividend.

* * *

The capital of the **United States National Bank of Denver, Colo.** was increased as of Nov. 4 from $2,200,000 to $3,300,000. The addition of $1,100,000 to the capital was brought about by a stock dividend of $550,000, and the sale of $550,000 of new stock.

* * *

The First National Bank of Lewiston, Mont. increased its capital from $100,000 to $200,000 as of Oct. 4, the increase having resulted from a stock dividend of $100,000.

* * *

The offer of **First Western Bank and Trust Company of San Francisco, Calif.** to merge with the **Commercial National Bank of Alameda, Calif.** has been approved by the directors of both banks, it was announced on Nov. 16 by T. P. Coats, Chairman of the Board of First Western, and J. L. Delanoy, President of Commercial National. The consolidation will become effective as soon as stockholders and regulatory authorities approve the transaction. Commercial National was established in 1921. It has assets, it is announced, of $1,643,000. When the consolidation is consummated the bank's single office in Alameda will become an integral part of First Western's statewide independent banking system, and its personnel will be retained without loss of seniority. This will be First Western's first office in Alameda. The announcement stated that the stockholders of both banks would vote on the merger early in December and that approval is anticipated.

* * *

In letters forwarded to the stockholders of their respective institutions, W. W. Crocker, Chairman of the Board of the **Crocker First National Bank of San Francisco,** and Paul E. Hoover, President of **Anglo California National Bank of San Francisco,** revealed the basis for the exchange of stock contemplated in the consolidation of the two banks, plans as to which were referred to in our Nov. 10 issue, page 1984. Stockholders are being advised that the consolidated bank will issue shares having $10 par value. The exchange proposal, which is subject to approval by stockholders as well as the Comptroller of the Currency, provides that two shares of $10 par value stock in the consolidated bank will be issued for each share of Anglo Bank stock presently outstanding and that three and six-tenths shares of stock in the consolidated bank will be issued for each share of Crocker Bank stock now outstanding. The directors of both banks have met informally and have approved the merger in principle. It has been proposed that the name of the new institution will be **Crocker-Anglo National Bank** and that the head office will be located at One Sansome Street in San Francisco.

* * *

Howard Bronstein, Chairman of the Board, and R. H. Cross, President of the **First National Bank in San Leandro,** and Elliott McAllister, President of **The Bank of California, of San Francisco,** jointly announced on Nov. 22 that an agreement has been reached for the merger of the two banks. Details of the merger are being resolved and will be subject to approval by the supervisory authorities and the stockholders of both banks. First National Bank in San Leandro was organized in June of 1928 and is said to have enjoyed a steady and consistent growth. Figures for Oct. 5, disclose deposits of over $12,000,000, loans of $6,000,000, capital funds of $963,000, and total assets of over $13,000,000. Deposits of The Bank of California on Sept. 30, 1955 were $468,000,000 and total resources over $517,000,000. The directors of the First National Bank in San Leandro will become members of the San Leandro Advisory Board of The Bank of California. A. J. Oliveira, Executive Vice-President and Cashier of the First National Bank in San Leandro, will become Vice-President of The Bank of California and Manager of the **San Leandro Office.**

* * *

Bank of America (International), wholly owned subsidiary of **Bank of America of San Francisco, Calif.** will open its new Paris Branch on Dec. 1, it is announced by Russell G. Smith, Executive Vice-President in charge of international banking, at the bank's San Francisco headquarters. It has also been disclosed that Nov. 21 was the date for the opening of the bank's first military facility in Europe to serve U. S. Armed Forces. It is located at the U. S. Air Force Base in Evreux, France. A second military facility will be opened in December at the U. S. Air Force Base in Dreux, France. The Paris Branch, at 9 Boulevard de la Madeleine, will be the third opened by the bank's New York subsidiary and extends the overseas organization of the California bank to 16 foreign countries. Alexander Szasz has been appointed Manager of the new branch. The Assistant Manager and Operations Officer is C. E. Steiger. Nelson W. Monfort, Vice-President representing Bank of America in Europe, will make his headquarters at the Paris Branch, Mr. Smith said.

An extra dividend of 15 cents per share on Bank of America's (San Francisco) common stock was declared on Nov. 15 by the directors, meeting in Los Angeles. The extra dividend will be payable Dec. 28 to shareholders of record Dec. 7.

* * *

The Royal Bank of Canada (head office **Montreal**) has announced the appointment of K. M. Sedgewick as General Manager, to succeed T. H. Atkinson, Vice-President and General Manager, who is retiring after 44 years of service with the bank. Mr. Atkinson will continue on the bank's Board of Directors. Mr. Sedgewick has been Assistant General Manager of the banking institution since 1949, and for the past four years the Chief Administrative Officer in Toronto of the bank's affairs in Ontario. He will assume his new duties on Dec. 6, when Mr. Atkinson's retirement becomes effective.

Joins Slayton Staff

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — James W. Armstrong has joined the staff of Slayton & Company, Inc., 408 Olive Street.

Joins Hope Staff

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Alfred W. Klieforth is now connected with E. S. Hope & Co., 415 Laurel Street, members of the Los Angeles Stock Exchange.

E. F. Hutton Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Evelyn G. Phillips has joined the staff of E. F. Hutton and Company, 623 South Spring Street.

LETTER TO THE EDITOR:

Averaging-Incentive Tax Plan Advocated

J. Henry Landman, New York Tax Attorney, writes "Chronicle" of a plan of tax reform which would not be a substantial deterrent to incentive as under prevailing income tax rates.

Editor, Commercial and Financial Chronicle:

Permit me to elaborate on my **Averaging-Incentive Tax Plan.**

Our Federal progressive income tax rate system varying from 20% to 91% for indivduals behaves as a deterrent to American business enterprises. It also works a hardship on taxpayers whose annual earnings are sporadic and not uniform such as those of actors, lawyers and business enterprisers. The averaging-incentive tax program provides that earnings and profits, exclusive of capital gains and losses, of all taxpayers in the current year in excess of the moving averages of their own four years, shall be subject to a graduated tax rate cut.

J. Henry Landman

An individual with an annual taxable income of $18,000 reaches the 50% bracket. Psychologically it is difficult to induce him to launch upon a new business venture because of the progressive income tax rates to 91%. However, if it is assured of **graduated tax rate reduction** on his earnings and profits in the current year on the excess of his earnings average of his own four years, he would be tempted to engage in the new business enterprise for the economic welfare of society, the Government's revenue and himself.

If the new venture yielded him additional earned income to aggregate $100,000, he would be in the extraordinarily high tax rate of 87%. We might offer him a rate of 60% instead under this circumstance, a rate of 65% instead of 81% if he attained an annual income of $80,000, and a rate of 70% instead of 75% if he reached $60,000.

His actual earnings in the current year would become the fourth year of his average base period for the next year. Consequently, he would be offered a new tax incentive every subsequent year.

Corporations should receive similar tax treatment. However, as an appurtenance to this suggestion, corporate tax rates should be made progressive to a 52% maximum. At present, all corporate taxable income is subject to a 30% rate, and that over $25,000 is subject to an additional tax rate of 22%. The apparent jumping-off rate of 52% for corporations is attained when their taxable incomes of $25,001 are reached.

The implementation of the averaging-incentive tax plan is a very simple process. Every taxpayer on his tax return would provide his earned income for his previous four year base period. This would entail simply adding the figure for his last year's earnings and dropping that of his first year's earnings.

Sincerely yours,
J. HENRY LANDMAN

50 Broad Street,
New York 4, N. Y.
Nov. 23, 1955.

Benjamin Jacobson Admit

Benjamin Jacobson, Jr. on Dec. 1 will be admitted to partnership in Benjamin Jacobson & Co., 61 Broadway, New York City, members of the New York Stock Exchange.

With Calif Investors

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Jerome Robbins has become affiliated with California Investors, 3924 Wilshire Boulevard.

Joins Pac. Coast Secs.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Peter C. Olmstead is now associated with Pacific Coast Securities Company of San Francisco. He was formerly with Dempsey-Tegeler & Co.

The Comptroller of the State of New York
as agent of New York State Thruway Authority
will sell at his office at Albany, New York on
December 7, 1955, at 10:30 o'clock A. M.

$50,000,000

New York State Thruway Authority
State Guaranteed Thruway Bonds
(Fourth Issue)

Principal and interest unconditionally guaranteed by the State of New York

Dated January 1, 1956, and due serially in various amounts from 1985 to 1995, both inclusive.

The Bonds will be subject to redemption by the Authority, prior to their respective maturities, as a whole or in part at any time on and after October 1, 1963, upon certain terms and conditions, including specified redemption prices.

Principal and semi-annual interest, January 1 and July 1, payable at The Chase Manhattan Bank, New York City.

Copies of the Act and Resolution authorizing the Bonds, Official Statement, Official Form of Proposal, Notice of Sale, and form of opinion of Attorney General will be furnished upon application to The Chase Manhattan Bank, Fiscal Agent, 11 Broad Street, New York, New York.

ARTHUR LEVITT, State Comptroller, Albany 1, N. Y.

Dated: November 30, 1955.

Public Utility Securities

By OWEN ELY

San Diego Gas & Electric Company

San Diego Gas & Electric serves the City of San Diego, Calif. and environs. Revenues of almost $41 million a year are derived about 65% from electric service and 35% from natural gas. Residential and rural power sales provide some 47% of electric revenues, while industry contributes only about 19%, an unusually low ratio.

The company's service area includes a farm section with grains and citrus fruits the principal products; the City of San Diego with its important aviation and other manufacturing plants; and the large permanent U. S. naval base. Because of its fine climate, the area has also been a mecca for tourists and retired businessmen.

San Diego County produces a very wide variety of crops on its 7,000 farms and ranches—grapes, vegetables, fruits, alfalfa, and cotton. The major aircraft industries located in the City of San Diego—Convair, Rohr, Ryan and Solar—have large defense contracts and contribute about 4% of the company's revenues. With the recent opening of the Kearny Mesa Industrial Tract, a municipal program to attract diversified light industry to the area has gotten under way. Two leading electronics manufacturers (in addition to the 18 now located in San Diego County) have started plant construction, and it is expected that the area may become one of the major electronics centers of the United States. Other light industries, such as fibre glass and metal prefabricated products, furniture, etc., have been entering the area.

Because of its fine harbor, San Diego has the largest naval installation in the country, in which nearly a half billion dollars has been invested. The company's sales of electricity and gas to the armed services contribute nearly 9% of its revenues.

The company's growth has been rapid, revenues increasing 136% in the post-war period. In the 12 months ended June, 1955 electric revenues gained 8% and gas 10% over the previous 12 months. San Diego County's population, less than 300,000 in 1940, is estimated at over 800,000 now and is expected to pass the million mark in 1960.

Pacific Telephone & Telegraph has made a study of population gains in Southern California. The post-war population increase of 2,625,000 was ascribed 30% to natural growth and 70% to net immigration. The telephone company forecasts a gain of 2,935,000 over the next decade, of which 43% would be due to natural increase and 57% to net immigration.

San Diego Gas & Electric generates most of its electric requirements in three steam plants. Of the total capability of 460,000 kw. at the end of 1954, about one-third represented units installed in pre-war periods and in 1943, while the remainder consisted of four 66,000 kw. units installed in 1948, 1950 and 1952, and one 106,000 kw. unit installed at Encina in October last year. The second unit at Encina is scheduled for completion in the fall of 1956. Progress with this large plant will not only eliminate the need of purchasing power from other utilities but will permit restricting the use of obsolete plants to peak operating periods. The company expects to spend some $18 million in 1955 and about the same amount in 1956 for construction work.

Pro forma capitalization as of Aug. 31, 1955 (including $18 million first mortgage bonds being sold currently) is as follows:

	Millions	Percent
Long-term Debt	$73	47%
Preferred Stock	20	13
Common Stock Equity (4,000,000 shs.)	61	40
Totals	$154	100%

The company in August received a rate increase equivalent to about 49¢ a share. Allowing for this factor, share earnings are estimated at around $1.13 for the calendar year 1955. Next year the full effects of the rate increase will be enjoyed, but on the other hand the company will probably have to absorb an increase in the wholesale cost of gas and perhaps some other increased expenses, so that earnings are estimated at around $1.30-$1.35. If the company makes full use of available bank credit, permanent financing may be avoided in 1956, but no final decision appears to have been made as yet regarding this program. The estimate of 1956 share earnings makes no allowance, it is understood, for possible equity financing late in that year.

At the recent price around 18½, with the dividend rate of 80¢, the stock yields 4.3%. Based on estimated 1955 share earnings of $1.13 the price-earnings ratio is 16.4; and based on the 1956 estimate as discussed above, the P-E ratio would approximate 14. These ratios compare with the recent industry average yield of about 4.9%, and average P-E ratio of 15.2.

The past record with respect to the common stock is indicated in the following table:

Year	Revenues (Mill.)	Common Stock Record — Earnings	Dividends	Price Range	Bk. Val.
1954	$38.59	$1.06	$0.80	19 -14½	$15.00
1953	36.19	1.16	0.80	16⅝-13¼	15.00
1952	33.31	1.52	0.80	15¾-13⅝	15.09
1951	28.83	1.13	0.80	14⅛-12⅞	14.33
1950	24.75	1.19	0.80	14½-13	13.92
1949	23.39	1.13	0.80	13⅞-12½	13.55
1948	21.93	0.84	0.80	14¾-12¾	13.24
1947	19.72	0.81	0.80	17¼-13¾	13.00
1946	18.11	0.92	0.80	17¼-15¼	11.83
1945	17.46	0.91	0.80	19⅜-16¾	10.95

The Real Test of "Adequate" Housing

Editorial article in "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, holds recent tightening of mortgage credit does not indicate a severe decline in residential building, and that fears along that line are due to preconceived notions rather than economic realities. Cites dangers in governmental program of "adequate" housing.

The December issue of "The Guaranty Survey," the monthly publication of the Guaranty Trust Company of New York, in an editorial article severely condemns the fear that the recent restrictions relating to mortgage credit will impede adequate housing facilities.

"This feeling of anxiety and disapproval" the article states, "does not stem from a severe decline in residential building, for no such decline has occurred. The number of private nonfarm housing units started is still running at nearly 1¼ million a year, as compared with the peak rate of less than 1½ million in December, 1954. There have been indications that the construction industry as a whole has been taxing, if not overtaxing, both its physical capacity and the amount of savings available to finance its operations. Building costs have been rising steadily. The same is true of mortgage debt, and increasing use has been made of commercial bank credit for building purposes.

"Nor is the criticism based on any prospect of a serious decrease in the total volume of construction. The decline in the number of housing starts seems to have been accompanied by a tendency toward somewhat larger family units. Nonresidential construction, moreover, is expected to increase. Altogether, the Department of Commerce estimates that the value of private nonfarm residential construction in 1956 will remain near the 1955 total of more than $16 billion and that expenditures for construction of all kinds may reach a new peak at $44 billion, 5% above the $42 billion indicated for this year. Most private forecasts tend to support this view.

"If such predictions prove substanially correct, the construction industry will continue to operate at or close to its physical capacity. The intense demand that has been pushing construction costs upward and drawing commercial bank funds into the building field will continue to be present. The outlook certainly tends to confirm the wisdom of the very moderate steps that have been taken to temper the demand for new construction. Without some such dampening influence, it would seem that the demand-supply equilibrium would have had to be maintained by an even sharper rise in costs, with all the future deflationary threats that the rise would have implied.

Preconceived Notions

"Considerations of this kind bring no apparent comfort to the housing enthusiasts, whose attention is centered on the single fact that fewer new dwellings are being started. There is no attempt to determine whether, in view of all the attendant conditions, some moderation in the tempo of the housing boom may not be in order. There is no interest in the possibility that the people may be spending as much of their money for housing as they should be, or that, comparative costs being considered, they may prefer to spend more of their money for something else. Any decline in residential construction is simply assumed to be undesirable.

"From this it follows, of course, that anything the government or the central banking authorities do to weaken existing incentives to residential construction is also undesirable. Hence, both in and out of Congress, 'tight money' in general and VA, FHA and home loan bank policies in particular are under attack. A Senate subcommittee is investigating whether these policies are preventing 'a level of building activity high enough to meet the nation's housing needs.'

"This attitude reflects a type of thinking that has become quite prevalent in recent years. It can be described as thinking in terms of preconceived notions rather than economic realities. It tends to ignore everything except the subject in hand, a habit that is fatal to straight reasoning on economic matters.

"Applied to housing, this mode of thought starts from some such concept as 'substandard' housing, 'decent' housing, 'adequate' housing, or housing 'needs.' What do such words really mean? Obviously, they are purely subjective. They express someone's idea of the sort of living quarters the people ought to have. In practice, they usually express the idea or ideas arrived at by some public official or board appointed by a paternalistic government to resolve, in behalf of the people, a personal question which the people are apparently presumed to be incapable of resolving for themselves.

Unfortunately, such vicarious judgments, when published in imposing official documents, tend to be accepted at face value. They become the bases of government policies and programs to which prospective home buyers and builders are strongly encouraged to conform, and to which taxpayers are, of course, compelled to conform. The individual decisions of supposedly free citizens are influenced by manipulation of interest rates, terms of payment, and even expenditures of the taxpayers' money, all in the name of official 'targets.' Any real freedom of choice in the light of comparative costs and alternative channels of expenditure tends to be suppressed.

Objective Standards

"No one questions the desirability of 'adequate' housing—safe, sanitary, comfortable, and reasonably spacious housing. The more people who can enjoy such housing, and the higher degree in which they can enjoy it, the better. But, in the final analysis, these housing standards are matters of degree. There is no dividing line between 'adequate' and 'inadequate' housing.

"Furthermore, housing is only one of the many necessities and comforts for which people spend their money. How much is to be spent for housing and how much for other things is a matter of individual choice. How many people do not desire better food, more and better clothing, more and better amusements, and a host of other things, as well as better housing? All these things, of course, cost money; and more money spent for housing means less available for the many attractive alternatives.

"The only definition of "adequate' housing that has any objective validity in a free economy is that quantity and quality of housing which users are able and willing to buy and pay for at free-market levels of cost, in view of the other possible ways of spending their money. It is as unrealistic and as uneconomic for a government to establish and attempt to enforce arbitrary standards of housing as it would be to pursue a similar course with respect to any other type of personal consumption expenditure. If the state tells the individual what sort of house he should live in, why should it not tell him what food to eat, what clothes to wear, and so on down the line? If the manipulations and subsidies are limited to housing, the effect is to divert into the housing market some expenditure which, from the economic standpoint, should be made elsewhere. If the same principle is extended into other branches of consumption, the effect—in so far as the attempt succeeds—is to produce a nation of robots whose actions are the result of neither independent choice nor real economic advantage, but of the decisions of their political masters. This is the ultimate and logical implication of a governmental program of 'adequate' housing."

Tabell to Address Women Shareholders

Edmund Tabell, partner, Walston & Co. will open the first "Current Events and Your Finances" Luncheon Course, Saturday, Dec. 3, at Patio Bruno 24 West 55th Street, New York City, launched by the Federation of Women Shareholders in American Business, Inc. to keep women and their families up-to-date on investing. Mr. Tabell is credited with forecasting the long bull market.

Edmund W. Tabell

Patrick De Turo, department of banking and finance of New York University, will be Guest Conductor for the course.

Wilma Soss, President of FOWSAB will be Moderator.

Robert S. Byfield, member of the New York Stock Exchange will be guest speaker at the January luncheon.

R. E. Kohn Co. Gives Achievement Award

NEWARK, N. J.—A firm manufacturing coasters, organized and operated at a profit by Essex County teenagers, has won the 1955 Richard E. Kohn & Company Award for the excellence of its report to stockholders. This was announced by Richard Kohn, senior partner of Richard E. Kohn & Co., Newark stock brokerage firm, which gives the placque yearly to the Essex County Junior Achievement company producing the best annual report.

The 1955 winner, operated under the name of Janco, was one of thirty Junior Achievement groups in the county which submitted its report. Because Junior Achievement companies are organized, operated and managed by teenagers who are acquainting themselves with the way in which American business is conducted through a learn-by-doing program, reports must be prepared by them, under the rules of the contest.

A committee of judges, including Marshall M. Thomas, Partner in the Certified Public Accounting firm of Peat, Marwick, Mitchell & Company, Adolph A. Johnson, Vice-President of Federal Trust Company, and Robert C. Ellis, Financial Editor of the Newark News, evaluated the reports on their clarity of presentation, completeness and general appearance.

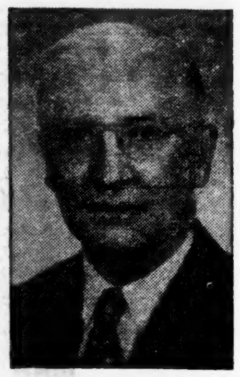
LETTER TO THE EDITOR:

Mr. Shull Takes Issue With Mr. deFremery on Gold Standard

Attacks views stated by spokesman for National Association of Manufacturers in reply to criticism of Association's attitude on gold standard by Dr. Walter E. Spahr.

Editor, Commercial and Financial Chronicle:

One of the most amazing articles I have ever read on the question of Money is the one by Robert de Fremery, entitled, "NAM Answers Criticisms of Its Policy Toward Gold Standard" in your issue of Nov. 3, 1955. To conserve space, I shall, from here on, refer to Mr. de Fremery as "Mr. de F."



Frederick G. Shull

Pointing out that the "National Association of Manufacturers" have "courageously taken a stand in favor of *not* restoring domestic gold convertibility of our dollar," Mr. de F. proceeds to challenge Dr. Walter E. Spahr's pamphlet in which he, as Executive Vice-President of the "Economists' National Committee on Monetary Policy," takes issue with views held by the NAM. My first "amazement" is occasioned by Mr. de F.'s reference to Dr. Spahr's criticism as "vicious." Webster's dictionary defines "vicious" as: "Addicted to vice or immorality; depraved; wicked." — which is pretty harsh language to use against this distinguished Professor of Economics. My first comment, therefore, is that an apology would seem to be in order.

Mr. de F. does grant that the "avowed propose" of the ENCOMP is to "enlighten the public as to the economics of the monetary issues before the country." That, of course, is just want Dr. Spahr, with about 70 associated economists, has been doing in excellent shape for the past several years. However, Mr. de F. questions that there is "unanimity of opinion among specialists in the field of monetary standards." But if 70 outstanding economists, from Coast to Coast, lend their names to the association for which Dr. Spahr is the mouthpiece, that would seem to be a degree of "unanimity" worthy of being accepted by the rest of us. Therefore, it is difficult to understand how Mr. de F. can, in all conscience, say that "there is no unanimity of opinion among specialists in the field of monetary standards."

The late John Maynard Keynes has been credited with saying that "not one man in a million understands the principles of money"; but that does not prove that the average person could not "understand" those principles, with comparatively little effort. The NAM, therefore, is quite right in feeling that "there are certain fundamentals that the American people are fully capable of grasping." And they would be perfectly right if they were to include "sound money" as one of those "fundamentals."

Mr. de F. says: "It should be clear that nobody is more concerned about the stability of the dollar than the manufacturers." That being the case, why don't the manufacturers plump for the one thing that can do more to promote "stability of the dollar" than can be accomplished by any other means—and that "one thing" is to get this nation back on the firm and "honest" foundation of the Gold Standard, whereby our paper dollars will again be "as good as gold." It is certain that our present "printing press" money can do nothing but promote further inflation.

Again, he says that "stability is primarily determined by the supply of money *and the expectation that the supply of money will continue to remain stable.*" But, since the supply of money in circulation has increased from less than $6 billion in 1932 to more than $30 billion today, how can Mr. de F. possibly contend that inconvertible paper-money promotes "stability of the supply of money?"

Mr. de F. then resorts to the old bugaboo of blaming the Gold Standard for the market-gambling collapse of 1929. That is about as reasonable as it would be to blame the Gold Standard for every untoward happening since the founding of this nation; for a gold-backed Dollar was established as far back as 1792, and, with minor exceptions, was maintained as such right down to 1933 — with prosperity, panics, wars, and whatnot.

While Mr. de F. alleges that "the Federal Reserve System had been installed for the express purpose of preventing a collapse of credit in this country," there is good reason to believe that other worthwhile "purposes" were kept clearly in mind. For example, the founders of the Federal Reserve System must have had "honest money" in their minds as well; for they clearly stipulated that all Federal Reserve Notes were to be redeemable in gold, on demand; and that held true until that quality of the Dollar was destroyed by the New Deal in 1933. It seems evident that those earlier monetary experts were entirely unaware of this modern theory that "irredeemable" paper-money is the best means of promoting "stability of the supply of money." Their apparent aim was to make the American Dollar *honest!*

Again quoting Mr. de F.: "But the hard fact of the matter is that our banking system did collapse in 1933." However, there was no "collapse" of the Dollar of its own accord—it was "collapsed" by a *dishonest* government that "devaluated" it and took us off the Gold Standard. We need not have gone off the Gold Standard in 1933! On what authority do I make that statement? Why, on the "authority" of the greatest monetary expect of this Twentieth Century — the late Professor Edwin W. Kemmerer, of Princeton University. In his book, "Gold and the Gold Standard" (page 123), Prof. Kemmerer says:

"Had Roosevelt, immediately after his election, joined President Hoover in a bipartisan declaration, of the ringing, Grover Cleveland type, that the gold standard and the existing gold dollar would be maintained at all hazards and that, to this end, all the financial resources of the United States would be mobilized if necessary, such a declaration, coupled with a reasonable policy of party cooperation, would probably have prevented the disastrous collapse of our currency and banking system in early 1933."

That statement by Prof. Kemmerer is far more convincing to me than the one by Mr. de F. —still bringing in the 1929 "bugaboo"—in which he (de F.) goes on to say: "But—and this is very important to bear in mind—if our government were so foolish as to restore domestic convertibility of our currency in gold, then we're back where we were in the twenties. Once again we would be faced with an eventual loss of confidence in the ability of our banking system to stand up under a collapse of credit abroad." However, *our* chief concern should be this: Would our banking system "stand up" in the United States under the Gold Standard? The answer is a decided Yes—if we are to rely, not only on Prof. Kemmerer's opinion, but also the opinion of these other outstanding Americans: Alexander Hamilton; Daniel Webster; John Sherman; Andrew D. White; Henry Cabot Lodge (the elder); Andrew Carnegie; Andrew W. Mellon; and the 70 economists who compose the ENCOMP.

Mr. de F. seems greatly concerned lest we experience some "deflation"; but there are millions of Americans who would welcome some "deflation," after the continuous "inflation" we have experienced ever since the "debauchery" of our currency in 1933.

Following is another choice bit of reasoning by Mr. de F.: "Prof. Spahr states than an irredeemable currency is 'unsound' and 'dishonest.' There is nothing unsound or dishonest about an irredeemable currency *provided that it is not over-issued.*" Then by his (de F.) own statement, our present currency is both "unsound" and "dishonest"; for it has long since been greatly "over-issued" — $30 billion today, as against less than $6 billion when the New Deal took over in 1933. And Dr. Spahr can corroborate his statement with the opinion of the greatest statesman ever to grace the Congress of the United States—*Daniel Webster!* Addressing the U. S. Senate on Feb. 22, 1834, in an address which carries the title, "A Redeemable Paper Currency," Mr. Webster voiced these words of wisdom:

"I know, indeed, that all banknotes, to be safe, must be convertible into gold and silver at the will of the holder"; and he went on to say that "any attempt to give value to any paper of any bank, one single moment longer than such paper is redeemable on demand in gold and silver" is a "miserable, abominable, and fraudulent policy."

Will Mr. de F. attempt to say that the Great Webster was merely indulging in idle conversation when he *laid it on the line* in those words, more than 120 years ago?

Again quoting Mr. de F.: "Prof. Spahr believes that the lessons of history favor use of a redeemable currency. There is good evidence that precisely the opposite is true." I for one, would welcome the information as to just where those "lessons of history" alleged by him (de F.) are to be found. The facts are that the United States, with minor exceptions, operated with a "redeemable currency" from 1792 to 1933 —without doing too badly as a nation; England operated with a "redeemable currency" from 1821 until 1914—and still managed to "rule the waves." On the other hand, France tried "irredeemable" currency from 1789 until 1797, with the result that after those eight years, Frenchmen threw out those paper francs with other wastepaper and trash, as of no value whatever; and Germany, after World War I, tried it for a few years, and by 1923 it required *one trillion* paper marks to equal the purchasing-power of just *one* prewar mark.

Mr. de F. alleges we haven't "enough gold for us to maintain both domestic and foreign convertibility of the U. S. dollar. . . ." That strikes me as being an "amazing" statement; for in 1933, we had only 200 million troy ounces of gold and—so far as I know—up to that time we had never had a larger supply of gold. And yet, we had managed to meet both "domestic" and "foreign" convertibility, without welshing on either. Today, we have nearly 700 million ounces of gold! Therefore, "history" would seem to prove that we have ample gold to support an "honest" convertible currency. Why, people don't want to hoard non-interest-bearing gold — they merely want to know that interest-bearing-dollars are to be maintained "as good as gold" by our government.

To pursue this a little farther —the total bank deposits of this nation are on the order of $200 billion; but, even with our "over-issued" currency, there is only $30 billion of such printing-press paper in circulation. Under those conditions, are the banks likely to be short of dollars? Not at all!; for as long as people have confidence in the honesty of the banks, they will leave their dollars there, at interest. And, by the same token, so long as people have confidence in the "honesty" of their government, they will prefer interest-bearing-dollars in a bank, rather than hoarding non-interest-bearing-gold in a mattress.

After a somewhat scurrilous reference to "Prof. Spahr's mental attitude toward those who disagree with him"—followed with a specific quote from Dr. Spahr's writings, in an effort to prove that uncalled-for "reference," Mr. de F. goes on to say:

"The E. N. C. on M. P. has committed a grave disservice to the American people by publishing and distributing material that deadens the impluse to think." It would appear to have had that effect on Mr. de F.; but I am sure there are millions of Americans who will vouch for the fact that Dr. Spahr's writings on sound-money have had the opposite effect on them, and stimulated their "impulse to THINK!"

FREDERICK G. SHULL

Nov. 14, 1955
2009 Chapel Street,
New Haven, Conn.

No Signs of Economic Soft Spots!

Business Survey Committee of the National Association of Purchasing Agents sees no evidence of any "soft spot" that might change in the present high level of business activity.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Acting Chairman is Marshall Pease, Assistant Manager of Purchases, The Detroit Edison Company indicated that there is no evidence of any "soft spot" that might change the present high level of business activity in the fourth quarter, say Purchasing Executives in their November reports. This is supported by the 93% who see their production as the same or better than last month. On new orders, 86% report their position as the same or better.

Although the number who reported commodity prices as higher still exceeds those who find prices are lower, the ratio is much closer than a month ago, confirming the reported October trend toward price stability. Inventories are up slightly, but in keeping with high production levels. Employment remains high, despite sporadic strikes.

There are more suppliers actively soliciting competitive business but that does not necessarily mean they are offering concessions in price or service, according to 72% who reported on this special question. The remaining 28% said they were experiencing a combination of hard selling with some price and service concessions, as well.

Commodity Prices

A more definite indication of a price plateau being reached is noted this month. There were 53% who reported prices up, down 19% from October. The reports showed 42% listing prices the same as a month ago, a significant jump from last month's 24%. The 5% reporting prices lower reflect purchases of limited items in an over-supply position.

Inventories

The desire to reduce year-end inventories is tempered by the need to protect greater production and possible further price advances. There was an increase from 23% in October to 30% in November who reported inventories up, mainly to meet new order demands and cover scarcities. The 54% who said inventories were the same attribute this to a good balance between inventory and movement of goods. There was little change from last month in lowered stocks, with 16% in this category.

Employment

Very little change in the employment picture is reported this month. Shortages of skilled labor and good clerical help are again indicated by many Committee members. The 6% who reported employment as off believed this to be a temporary situation due to strikes, overproduction in September and October or reduction in the number of operating shifts.

Buying Policy

Again, the policy on production items showed little change from October, with 48% reporting coverage of 90 days or more. On capital goods, 77% reported a lead time of 90 days plus, identical with October. For MRO supplies, 80% remained in the hand-to-mouth to 60-day basis, and 20% reported lead time of more than 60 days.

The general policy is mixed, with the emphasis on insuring delivery of many items in uncertain supply and extending purchases at current price levels.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Russell G. O'Connor has been added to the staff of Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Fewel & Co.

Joins Hanrahan Staff

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, MASS. — Halford T. Tillson is now with Hanrahan & Co., 332 Main Street, members of the Boston and Midwest Stock Exchanges.

Andrew Reid Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Louis L. Smith is now with Andrew C. Reid & Company, Ford Building, members of the Detroit Stock Exchange.

Frank C. Masterson

Frank C. Masterson, partner in Frank C. Masterson & Co., New York City, and a member of the American Stock Exchange, passed away suddenly Nov. 26 at the age of 61.

Vincent Powell Joins F. H. Crerie & Co.

Vincent A. Powell has become associated with F. H. Crerie and Co., Inc., 19 Rector Street, N. Y. C., as manager of the trading department. Mr. Powell was formerly with the trading department of Eastern Securities, and prior thereto was with Reed, Lear & Co.

Vincent A. Powell

F. H. Crerie and Co., Inc. has a direct wire to Crerie & Co. in Houston, Texas.

San Francisco Analysts Elect New Officers

SAN FRANCISCO, Calif.—The Security Analysts Society of San Francisco at its annual meeting Nov. 17, 1955, elected the following officers for the year 1956.

President—Howard C. Tharsing (Dean Witter & Co.; Vice-President — Peter Avenali (Dodge & Cox); Secretary-Treasurer—William M. Bennett (Investment Consultant).

In addition to the above the following were elected to the Board of Governors:

Ralph A. Bing (Sutro & Co.); Sydney P. Harrison (Loomis, Sayles & Co.); Eugene H. Gray (Bank of California N. A.); John Renshaw (Henderson & Co.); Edward P. Brown (Blyth & Co. Inc.).

In accordance with the terms of the constitution of the Society, H. Taylor Peery, who has served as President during the year 1955, will also continue to serve on the Board of Governors in the coming year.

The following were elected to regular membership in the Society on Nov. 17, 1955:

Orlando Richard Jenkins, William R. Staats & Co.; Harry R. Glover, American Trust Company; James K. McWilliams, Crocker First National Bank.

The following were elected to associate membership:

Laurence Louis Spitters, Blyth & Co., Inc.; William K. Bowes, Jr., Blyth & Co., Inc., Charles J. Marsh, Varian Associates.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is in the process of adjusting itself to the rise in the rediscount rate, while at the same time, more than a passing amount of attention is being given to the refunding operation of the Treasury. The offer by the government which exchanged the maturing December 1¾s and 1¼s for either the one-year 2⅝% certificate, and/or the two-year six-months 2⅞% note, was in line with what the money market had been talking about. The uptrend in short-term rates was expected when the Central Bank rate was raised.

On the other hand, the more distant maturities have not been too much disturbed by the hardening of interest rates, because the belief still persists that the money tightening operations of the powers that be will not be of too long duration. To be sure, the market for the longer-term government obligations is thin and to a large extent professional. Tax switches continue to be very important as far as volume and activity is concerned and it is expected that this kind of exchange will see little or no let-up right through to the end of the year.

Broadened Impact of Higher Discount Rate

The interest rate raising and money tightening efforts of the powers that be have brought about higher rates for borrowings, but so far this has not slowed down to any perceptible extent the demand for credit. The 2½% rediscount rate, the highest in more than 20 years, resulted in pushing up the rates for banker acceptances, commercial paper as well as the yield on Treasury bills. Finance companies likewise raised rates. While there has been no change up to now in the "Prime Bank" rate as far as the large commercial banks are concerned, it is reported that certain deposit banks in the interior and the Western part of the country have moved their "prime rate" up from 3½% to 3¾%. There were also reports that some of the larger financial district commercial banks have called loans of brokers and dealers in securities, other than governments, because of the need for funds.

To be sure, money is tight and if the recent rise in the rediscount rate means what it seems to mean, "active restraint" money could get tighter before there is very much change in policy. There might be, of course, some short-lived and temporary aid given to the money market in order to help the Treasury over the hump of its refunding and new money raising operations. The recent rise in the rediscount rate, in the face of the Treasury financing, has not made the lot of the government any easier, even though it was the honest thing to do.

No Large Demand for Long-Term Debt

The fact that the government made a split offering of short-term securities to holders of the maturing obligations through the medium of a 2⅝% certificate and a 2⅞% note, seems to bear out the contention of Treasury that there is no real demand at the present time for long-term securities. The Federal Reserve Banks were important holders of the maturing obligations and there is no question but what the refunding issues, most likely the certificates, met the needs of the Central Banks. It is also evident that the new money raising of the Treasury has been separated from the refunding operation, but the new money issue, most likely a tax anticipation certificate, should not be too far behind the financing which took care of the maturing obligations. An offering of Commodity Credit Corporation securities, which would ease the debt limit of the government, is not expected to be made until after the turn of the year.

Shortage of Credit Impends

Even though the rediscount rate is at 2½%, it is not a punitive one, because of the spread between this rate and the other rates which are charged to borrowers. However, there is no doubt but what the interest rate raising operation of the monetary authorities will in time have an effect upon the ability of borrowers to obtain credit. The availability of credit is the all important factor as far as the powers that be are concerned, since the objective of the policy of "active restraint" is to cut down the supply of credit that will be at the disposal of those that must obtain funds.

The Most Popular "Swop"

Tax switches and exchanges are still very important in the government market since these operations continue to be responsible for a good part of the volume and activity which is going on in these obligations. The trend in these swops is the same as it has been, mainly from the shorter-term issues into the more distant maturities. There are almost innumerable combinations of these tax switches being made.

However, it seems as though the following swop, which takes in the intermediate term obligations, has worked out quite well, according to reports from those who have been recommending it as well as those that are making it. This involves the sale of the June or December 2¼s of 1959/62 and the purchase of the 2½s of November, 1961. It is being pointed out that this switch provides an increase in yield, and a specific maturity obligation, along with the possibilities of a shorter maturity and price appreciations.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George D. Millay has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

With Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jack O. Schlicht is now with Real Property Investments, Inc., 233 South Beverly Drive.

Edward Boyd Jr.

Edward Boyd, Jr., Philadelphia manager for Harriman Ripley & Co. Incorporated, passed away Nov. 21 at the age of 67.

With Shelley Roberts

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Orma F. T. Stanley is now with Shelley, Roberts & Co.

Continued from page 3

Income Tax Pointers on Securities

If he had taken his loss before the six-month period had run, it would have been applied against the $2,000 of under-six-month profits. That would have left him with the $2,000 of over-six-month profits, of which only $1,000 need be reported (with a maximum tax of $500), compared with $2,000 of regular income the other way around.

All this means alertness throughout the year. To wait until the end of the year, as is so frequently done, may let the six-month mark slip by.

How Spacing Between Years Saves Taxes

Where there are over-six-month profits and no under-six-month profits, it is an advantage to take losses in a different year from the profits. For example, suppose Jones has $2,000 of open over-six-month profits and $2,000 of open losses. If he takes both in 1955, the result is zero.

If he takes the $2,000 losses in 1955 and the $2,000 profits in 1956, he is ahead of the game by a $500 deduction. It is figured in this way: For 1955, the $2,000 losses give him a $1,000 deduction and $1,000 to carry forward into 1956. This $1,000 is applied against the $2,000 of over-six-month profits in 1956, making a net profit for 1956 of $1,000, one-half of which, or $500, is reportable. Jones, therefore, has a $1,000 deduction in 1955 and $500 income in 1956, or a net deduction for both years of $500.

Jones best bet, however, is to switch the thing the other way around and take the $2,000 over-six-month profits in 1955 and to take the $2,000 losses in 1956. By doing this, he reports in 1955 one-half the $2,000 profits, or $1,000. In 1956, he has a deduction of $1,000 of the $2,000 of losses. In 1957, he deducts the remaining $1,000 of the $2,000 losses. The net effect for the three years is a deduction of $1,000, whereas taking the losses first, resulted in a net deduction of only $500, and taking the profits and losses in the same year was merely a stand-off.

How Short Sales Can Be Used To Tax Advantage

Through a short sale it is possible to shift profits or losses from 1955 to 1956, or for that matter indefinitely. This is because of the rule that no gain or loss need be reported on a short sale until the short position is actually closed out.

Here is how the shift is accomplished: Jones has in his box 100 shares of stock that he bought in August 1955 at 60. In December 1955, or four months later, and when the market is 85, he goes short the stock with his broker. He can take the stock out of his box in December 1955 and deliver it to the broker to close out the short sale. That will result in a $2,500 under-six-month profit. If he figures he is better off from a tax standpoint to push the $2,500 profit into 1956, all he need do is hold off covering the short sale until some time in 1956. That takes it out of his 1955 return and puts it in 1956.

No matter when Jones covers, it is an under-six-month profit, because when he went short he owned the same stock for less than six months. If when he went short he owned the stock more than six months, the profit on the close-out of the short position is an over-six-month profit.

How Dividends Are Treated

Dividends are treated as regular income, but also get two special tax benefits. They are:

(1) The first $50 of dividends are completely exempt from tax. If a husband and wife each have stock of their own, or own stock jointly, the $50 exemption applies to each of them. That means $100 in total for both, whether they file separate or combined returns.

(2) On the remainder of the dividends, after the tax is figured in the regular way, the tax is then reduced by 4% of the amount of all dividends received. There is one limitation. This reduction in tax cannot be more than 4% of the year's net taxable income.

The dividends to which these two allowances apply are those from American companies that are themselves subject to tax. Even then, the allowances don't apply to dividends from "mutual" insurance companies and savings banks, nor to the so-called capital-gain dividends of regulated investment trusts.

How to Convert Dividends and Interest Into Capital Gains

Because of the 25% tax limit on over-six-month profits, it is natural for people in high brackets to try to get that sort of profit rather than regular income. Here is a way to accomplish this: Suppose Jones, in the 91% bracket, has 100 shares of over-six-month preferred stock that cost him $100 a share. The stock is now worth $160 a share because of an accumulation of $60 of dividends which are about to be cleaned up. If he receives the $6,000 of dividends, he will have to part with 91% or 5,460 less $240 (4% of $6,000) or $5,220.

However, by selling the stock at 160, before the ex-dividend date (that is, at least four full business days before the dividend "record" date), he gets the same $6,000, but it is now in the form of profit from the sale of over-six-month stock. His tax on the $6,000 is therefore only 25% or $1,500, instead of $5,220—a saving of $3,720. If he still wants to maintain his position in the preferred stock, he can step right back into the market after the dividend date and buy 100 shares. That puts him back to where he started stockwise, but ahead of the game by $3,720 tax-wise.

How Wash Sales Are Treated

If an investor sells stock at a profit, and then buys the stock right back, the profit is taxed. Not so with losses. There is a rule that says that no loss will be allowed on a sale, if within 30 days before or after the sale the same security is bought. This is known as a wash sale. The tax effect is as if the sale never took place.

The disallowance applies to a purchase not only of the same security, but also of substantially identical securities. Accordingly, the sale of a stock and the purchase of a voting trust certificate of the same stock, or vice-versa is under the ban. However, the loss will stand if the sale is of stock of one company, and the purchase is of stock of another, even though the two companies are in the same line of business, their stock sells at the same price, and moves market-wise in the same way.

The law confines the disallowance to "securities" but some decisions hold that for this purpose, commodities are securities.

How to Identify Securities Sold

Suppose Jones buys 100 shares of stock in 1953, at 70, and another 100 in 1954 at 80. In 1955 he sells 100 at 75. Does he have a five point profit or a five point loss? It all depends. If he delivers the 1954 certificates costing 80, he has a five point loss. If he delivers the 1953 certificates costing 70, he has a five point profit. He can make his own selection of certificates, and so he can control

whether to have a profit or a loss. The same result holds good if he instructs his broker at the time of the sale whether he wants to sell the 1954 block or the 1953 block. His instructions will control.

If he says nothing, and the certificates cannot be identified, the rule is that the 1953 block is sold first, because it was bought first.

How Commissions and Other Expenses Are Treated

Purchase commissions are additions to the cost of securities, and sales commissions are deductions from their sales price. Commissions therefore affect only the profit or loss on a trade.

State transfer taxes can be taken as a regular deduction. The rule on Federal transfer taxes is not clear. It has been held to be deductible by a trader in securities. Whether this also applies to an investor is uncertain.

It is an advantage to have a regular deduction because it can mean 91% saving in tax. As a reduction of profit or an increase in loss on a trade, the tax effect is limited to the tax rate that applies to the profit or loss.

Is interest on a debit balance in a brokerage account deductible? The answer is yes—with a "but." The mere interest charge by a broker is not enough to give the deduction to anyone who makes his return on the basis of cash coming in and going out. The interest must be actually paid to the broker. However, collections by the broker for the customer's account of interest and dividends on the customer's securities are looked upon the same as so much cash paid by the customer. So also are proceeds of securities sold.

Dividends and premiums on short sales are deductible. Other deductions include cost of investment counsel or advisory services, subscriptions to statistical services and investment literature, rent of safe deposit boxes, custodian fees for securities, office expenses, cost of professional services for preparing or defending tax returns.

Timing of Year-End Sales

Year-end tax selling, whether to take profits or establish losses, is a familiar occurrence. Timing is important, or else a transaction intended to affect 1955 taxes may turn out to be a 1956 item, and vice-versa. The reason for this is the interesting rule that profits are not considered realized for tax purposes until the securities sold are delivered to the buyer. Losses, on the other hand, are deemed to be sustained when the sale is made on the floor of the exchange, regardless of the time of certificate delivery.

As the various exchanges in New York have a four business-day delivery rule, this means that the latest day to take profits for inclusion in 1955 returns is Dec. 23. Securities sold on the next business day, Dec. 27, will not be delivered until Jan. 2, 1956 and the profit will therefore be a 1956 item. Between Dec. 28 and 30, securities can be sold for "cash" instead of the regular four-day delivery, and in that way profits can still be established for 1955. In the case of losses, they can be taken by sales made right up to the end of the year.

The rules just described apply to taxpayers who make their returns on the basis of cash coming in as distinguished from amounts owing to them. The technical name for the distinction is the cash basis as against the accrual basis. Taxpayers on the accrual basis can take profits or establish losses for 1955 by sales right through Dec. 30.

Securities Salesman's Corner

By JOHN DUTTON

Screening Prospects

Many hours of valuable time and effort are unavoidably wasted during a salesman's busy week regardless of how well he plans his time. There is a direct relationship between the number of qualified prospects that are contacted and sales. The time spent in needless travel, the hours wasted on running down worthless leads, must be reduced to a minimum if productive results are to follow. These facts are well known. Any man who can use the telephone to good advantage (and it can be the most effective tool you can use to contact prospects and clients if you have mastered it), and also can eliminate prospects and clients that are not profitable, has gone a long way toward building a substantial clientele.

Fit Your Sales Approach to the Prevailing Mood of the Public

There are periods such as today (and during the past five years) when investors have been increasingly acceptable to suggestions for investing in securities. The competent salesman who knows that he must **make the first sale** before he can create a customer goes directly to the target when he wishes to obtain an order. I don't think I have to labor this point but a simple example will suffice. Many individual investors today are interested primarily in income (retired people and those in the higher brackets that may buy tax-exempts). There is also an ever increasing number who are interested in capital gains (making a profit). When this is the prevailing psychology the sensible thing is to get to the point—make a specific offering and put it concisely — tell your prospect how much income he will get and why he can depend upon getting it if he wants income—if he wants to invest for capital appreciation show him how this can be achieved. Very few people are statisticians, they seldom want to listen to the reasons why an investment SHOULD PERFORM in a certain way for more than one to two minutes (I am serious about this). Hit the HIGHLIGHTS, be positive, be friendly, think, talk and act like you know your business, don't parade knowledge, don't bore him, just keep coming back to one thing: HOW HE CAN GET WHAT HE WANTS.

The individual investor seldom reads a prospectus carefully, if at all. He can rarely concentrate for prolonged periods on involved discussions. He thinks in generalities, and in objectives that he wishes to accomplish. He wants to believe in someone who can do the hard work, the thinking, and the investigating for him. That is the average individual security buyer and in today's market he is in a mood to swap dollars for higher yielding investments that can also grow. Now the problem is to see as many of these people that fit the foregoing description as possible and ELIMINATE THE OTHERS.

Don't Try to Sell Everyone

I suppose a successful salesman naturally has on over-active ego as well as possibly a thyroid. Most mature salesmen never get over the little harmless personal pride and pleasure they feel after they have made an especially good sale, or developed a substantial new account, or accomplished something that gives them satisfaction. Selling is a challenge, it is a business for men who can stand on their own two feet and it is one line of activity where results are up to you. So much for that. But when it comes to working on accounts that are difficult, time consuming and in the last analysis more likely to be unprofitable (considering time and energy expended) than if this effort were directed toward a BETTER prospect or client, give up the personal satisfaction of making that "tough sale" and spend your time on people who want to invest, who want the facts, who can make up their minds; and who don't expect $1,000 worth of service for every $10 in commissions they pay you.

Weed out customers who expect you to give them your valuable time to the exclusion of your other clients and pressing duties. Don't take this as an admonition to limit service. Give service to those who desire it, can use it effectively, and who know that your time is valuable and that you have other clients too. Quite often a polite but firm show of independence will bring some people around to a better understanding, and your services will then become more valuable to them and they will become better clients for you.

I heard of a case where a salesman several years ago followed a lead 50 miles from his office. He occasionally would handle some small orders for this client and each time he would make the trip and spend almost two-thirds of a day doing it. He also would call on a few other prospects when in the neighborhood of this client. As his business grew it became impossible for this salesman to continue making this long trip. One day the client called him and asked him if he could come to see him. **The salesman explained that he would like to do so but what it would cost him over a hundred dollars in other commissions if he left his office for a day and made the trip.** As a result he got the order over the telephone and from that time on his customer accepted his suggestions without prolonged explanations thereby eliminating all the extra discussion that was primarily caused by the customer's desire to have someone to converse with. People who need good investment advice, who are pleased with their securities, and who like you, will allow you to converse your limited time during such periods of investment activity as we are enjoying today.

See the people who will buy—who need a minimum of personal attention—who can place faith in you and your recommendations—and **who can buy and will act.** There are too many of this type of investor around today to spend your time on any others.

Joins Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Albert Miller has become affiliated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Shearson Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ronald A. Pain has become connected with Shearson, Hammill & Co., 520 South Grand Avenue. He was formerly with Walston & Co.

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BEVERLY HILLS, Calif. — Burnham Asch has become affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard. He was formerly with Boren & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Insurance Stocks

Where, over a sustained period, one of two comparable fire or casualty insurance companies sets up proportionately larger loss reserves (related to earned premiums) than does the other, the chances are good that it is over-reserving. The effect of over-reserving is to salt away equity. For example, it seems to be beyond question that a company that in a ten-year period sets up loss reserves equal, on average, to 93% of earned premiums, is giving its stockholders a greater growth in his equity than a closely comparable unit that reserves a definitely lower proportion.

In the accompanying schedule are a number of leading fire and casualty insurance companies, with the ratio, averaged for the ten years ended with 1954, of loss reserves set-asides to earned premiums in the period. Also given is the same data for, in the cases of fire companies, each company's major casualty affiliate, and, in the cases of casualty companies, the major fire affiliate. Not all companies have affiliate units, this being more true of casualties than of fires.

Care should be exercised in making comparisons in this schedule. Any comparison between a fire company's ratio and that of a casualty unit would be meaningless, simply because the types of risks underwritten differ so greatly and so require different treatment on loss reserves. And, comparisons within either group are valid only in cases where the basic factors show considerable comparability. Thus, where the bulk of writings of two companies is in surety and fidelity bonds, as an example, there is reason to compare them. If, however, a third unit is introduced that writes a large multiple-line of business (compensation, automobile categories, etc.) the basis for comparison ceases to exist. But if two or more multiple line writers have their allocation of premiums fairly evenly distributed, it is logical to compare the loss reserve: earned premiums ratios. It is therefore suggested that allocation of premium writings, geographical distribution and other relevant data be utilized to determine comparability.

Ratio of Loss Reserves to Earned Premiums

	Averaged for Ten Years, 1945-1954, Incl. Parent Company	Major Casualty Affil.
Aetna Insurance	31%	56%
Agricultural Insurance	26	--
American Insurance	34	34
Bankers & Shippers	15	--
Boston Insurance	41	--
Continental Insurance	27	74
aFederal Insurance	42	--
Fidelity Phenix	29	74
Fire Association	27	100
Fireman's Fund	64	77
Firemen's Insurance	28	65
Glens Falls Insurance	44	58
Great American	23	71
Hanover Fire	28	--
Hartford Fire	20	78
Home Insurance	24	68
Insurance Co. No. America	33	93
National Fire	25	38
National Union	23	--
New Hampshire	22	53
Northern Insurance	15	--
North River	32	--
Pacific Fire	16	--
Phoenix Insurance	24	--
Providence Washington	26	42
St. Paul, F. & M.	29	74
Security Ins.	26	47
Springfield Fire	21	41
United States Fire	29	--
Westchester Fire	35	--
	Parent Company	**Major Fire Affiliate**
Aetna Casualty	74	--
American Surety	66	--
Continental Casualty	56	--
Fidelity & Deposit	45	--
Maryland Casualty	72	--
Massachusetts Bond.	81	--
New Amsterdam Cas.	89	--
Seaboard Surety	43	--
United States Fid. & Gty.	58	16

There has been omitted the data for small affiliates, where the amount of business is small, or where organization was so recent as to make their data of small value for this study.

a Does not include the merged affiliate.

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Specialists in Bank Stocks

Continued from first page

As We See It

of this country would rid us of the so-called agricultural problems of the day.

But what reason is there to suppose that a Marshall Plan for Asia, and another for Africa, and still another for Latin America would solve the problems which proved too much for Geneva and the innumerable other conferences and "plans" of the day? And precisely what would a "Marshall Plan" for India be, anyway, or for Argentina, Brazil, or many of the African areas? Why should we expect the populations of these countries to respond as did the West Germans rather than as did the French, or even worse? And, failing such effective response, why should we expect our billions to do more at most than to buy temporary surcease from sorrow? And if the aid extended is more than we could persuade ourselves to pay for out of current income, what would it do to our economy?

Regarded as Inconsequential

These and other similar queries are regarded as inconsequential by all too many politicians who are obsessed with the idea that our wealth and our production are limitless, and that somehow we can, without disaster, indefinitely give away more than the excess of our production over our own consumption. We could, of course, greatly reduce our output of automobiles, household appliances, residential construction and a dozen other things and devote our time proportionately more to the production of the things that the hordes of Asia, the underprivileged of Africa and the malcontents of Latin America want or think they want. But where is the politician who would dare to propose such a program? Our economy is now just about at full capacity. We can not, as a practical matter, increase output for the benefit of other peoples. To attempt to provide for others through the simple expedient of unbalancing the budget and monetizing the consequent increases in our debt must inevitably prove a costly snare and delusion.

What all these day-dreamers, of which Mr. Bowles is but an example, consistently overlook is the simple fact that the hundreds of millions, not to say billions, of men and women living in so-called backward countries or in the colonial possessions of Western powers must work out their own salvation. There is no way under the sun that we can do for them what they must do for themselves. Even our massive wealth or our prodigious production would come to but a pittance per head of these swarms of people. The task of easing the distress of these hordes is a work of decades, perhaps of centuries, and it is work that they will have to do themselves or it will never be done. If we wish to lend a helping hand with our surplus production, very well, but let us not suppose that we can be of real assistance by merely voting billions of dollars or believe that anything we do or can do would bring sharp or decisive changes overnight.

Let us not assume, either, that even if we were to be successful in helping materially and in winning friends among these peoples, we should be saving them for democracy or saving democracy among them. The cold truth of the matter is that most of these masses have little knowledge of or interest in democracy as we know it and revere it. The experience of many of them with the so-called democracies of the world has been one of exploitation, or economic serfdom. They doubtless resent outside interference, and wish to be left to manage their own business. What they would do if left entirely to their own devices would rarely conform to our ideas of democracy. It is possible that generosity on our part might contribute something to keeping them out of the clutches of the Soviets, and that might be worth while, but let us not suppose that it would be the equivalent of freedom as we know it and treasure it.

The Kremlin Knows Better

Of one thing we may be certain. The Kremlin is not going to pour out large amounts of its substance to ameliorate the condition of the poor in these foreign countries. They have their own poor who are often no better off than the peoples of these foreign lands. They are busily engaged at present in trying to make friends and influence people. At that they are good—when dealing with areas and peoples suffering from deep and abiding discontent. They are the old Russian imperialists in new dress, and they are formidable antagonists. They would like to have these alien masses believe that salvation is to be found in Communism. The idea may or may not be easy to sell in undeveloped lands, but the point is that we can not save the day by undertaking overnight to relieve want and misery among the hordes for whose good will the East and the West are contending.

Let us not forget that this is inevitably going to be a long, long struggle, the Kremlin and associates against the rest of the world. It is world politics with a new twist. Strategy must consider the decades ahead. We can not afford to impoverish ourselves, or to launch upon any sort of program which might well leave us weakened at some future date when matters might come to a crisis despite all our effort to avoid it. Patience, hard common sense and the genius which knows how to deal with men and nations through long spans of time are what will count, just as it has counted since time began. A "bold" or "imaginative" program which has little or nothing else to commend it could well be a serious blunder, particularly if it seriously wasted our substance.

Neither freedom nor safety from the encroachments of the Kremlin can be purchased with dollars—particularly when they do not represent production in excess of consumption. Slurs on budget-mindedness ought really to arouse suspicion of those who cast them. Let future historians not say that we courted economic death by contempt for a balanced budget.

Continued from page 6

Canada: Its Economic Prospects And Its Railway Problems

wealth, I remind you that Canada has been a leading supplier of nickel, asbestos, gold, silver, copper, lead and zinc, to name only a few, for more than a quarter of a century. What has happened is that resources once submarginal have been moved within the area of profitable development by two forces—first a high level of effective demand supported by advances in technology which reduce costs and create new products; and secondly the depletion of alternative sources of supply outside of Canada. Your country, for example, is one of those which is becoming more dependent on foreign sources for raw materials.

Canada Has Not Acquired the Midas Touch

I do want to remind you, as businessmen, that Canadians have by no means suddenly acquired the Midas touch. The oil, the mineral wealth, the forest products are being won from Mother Nature as grudgingly as ever, and it takes time, capital, risks and plain hard work, just as it always has, to transform these resources into usable and profitable form. Any foreign investor attracted by get-rich-quick stories would do well to recognize that painstaking investigation, sound investment sense and an appreciation of risks and markets still are required for making a Canadian investment if he expects to draw dividends instead of writing off capital.

I suppose at this point you might expect me to take a look into the crystal ball and come up with some predictions on the shape of things to come in the next 20 or 25 years. The temptation is strong, but despite what is said about a prophet and his honor, I would certainly run the risk of losing it here, by being proven wrong within a short time! I say this because you may be interested to know that the Canadian Government recently set up a Royal Commission whose task it will be to determine, if possible, the pattern of Canada's economic development in the next quarter century. It was felt that the time had come when the Canadian people should be more fully informed of the long term economic prospects and that it was in the national interest to initiate, examine and publish studies of the nation's potentialities. The terms of reference are practically unlimited and hearings already have been commenced. The range of the Commission's work will be all-embracing and one of the most comprehensive and important such studies ever undertaken, with its findings likely to have a far-reaching effect on all phases of Canadian life. My prediction is that the work of this Royal Commission will have more than a passing interest in business and investment circles in this country.

Dependence of the Canadian Economy on Trade

Whatever forecasts may be made by this commission, however, there is one dominant factor on which many of its assumptions will, of necessity, have to be based. The Canadian economy is one which now depends heavily and will continue to depend, at least for the foreseeable future, on trade. The value of all experts of goods and services in recent years has amounted to approximately a quarter of gross national product, as compared with about 5% in the United States. Some experts projecting the trends in Canada estimate a ratio of about 20%, 25 years hence. So whatever strides are made towards the enlargement of domestic markets, trade will continue to exert a major influence. We would like, of course, to be able to bring our economy to a degree of stability, self-sufficiency and flexibility where the amount of exports is of less importance relative to total product. Ours is a sensitively geared economy which reacts sharply to external influences. Many times a slight recession in one country will have a much greater impact upon Canada than in the country of origin, affecting both industries engaged in exports and industries competing in the domestic market.

I imagine the thought crosses your mind that here is yet another Canadian about to bombard us with talk about free trade because it is primarily in the interest of his own nation. True, it is a matter of vital interest to Canada, but it is one of equal importance to your nation as well. The subject of Canadian - American trade, while it is of prime concern to each of us, cannot be considered in isolation for it forms but part of the complexities of world trade. Canada is your best customer and since we have traditionally bought more from you than we have sold, the gap must be filled by means of trade with the rest of the world. But the gap is not easily filled. For instance, in eight months of this year it is estimated that our deficit on trade account with the U. S. amounts to $552 million and on the over-all picture, we are in the red something like $200 millions.

U. S. Capital and the Canadian Trade Deficit With U. S.

Important as the net inflow of capital from the United States to Canada may be, it does not nearly begin to compensate for our deficit on current account with the United States. This, of course, means that Canada's ability to balance her current trading account with the U. S. is dependent upon the ability of other countries to earn American dollars. In making a plea for more liberalized trade policies, I do so on the premise that an easing of restrictions would be to our mutual benefit. I know that the task is, indeed, a formidable one, as I am realistic enough to appreciate the inherent historical and political difficulties on this continent and elsewhere. Again, I am not unmindful of the very real contribution your country has made to world commerce and the sentiments expressed by your administration that the United States must assume leadership in the fostering of a free exchange of goods and services. That is, indeed, a source of comfort, since it is a policy which calls for imaginative decision based on the long-range view.

In the months ahead this whole matter of trade will be the subject of critical analysis and soul searching preparatory to the meetings to be held in Geneva early in the new year of those countries which participate in the General Agreement on Tariffs and Trade. This is regarded as perhaps the most important conference of this organization since its inception in 1947, for the course that is charted there will have a telling effect on the avenues to be followed by the free enterprise system for some time to come. A recent editorial in "Life Magazine," I thought, described the general situation quite cogently. Here is an extract:

"The full role and task of free enterprise in the next decade is not confined to the U. S. The materials are all at hand for another breakthrough to new levels of world trade and prosperity. Our boom and our system are the chief of these materials; but they need more friends and more room. Without real American leadership there will be no world market. Without a world market and an expanding environment, even U. S. free enterprise and prosperity have a limited future."

The Railroad Industry in Canada

I turn now to some specific references about the railway industry which, as I mentioned earlier, has felt adversely the impact of economic development. I am aware, of course, that you have had your own governmental studies and hearings on this subject, but, since the basic problem is the same as in Canada, I do not feel that I am intruding on a matter of a purely domestic nature.

As a preliminary, I should like to say also that if earlier I left any impression with you that railroads only were responsible for major developments in my country, I would hasten to correct it. Waterways, highways, airways and pipelines all have played their part in progress and will continue to have a most necessary function and increasingly powerful influence. Indeed, it is the rapid advances in techniques of other forms of transportation that serve to emphasize the degree of urgency for approaching realistically the plight of the railways.

This basic and common problem of which I speak, as it relates to the railroad industry, is that this great service still must operate

under outmoded codes of regulation, in many instances laid down half a century ago, at a time when the railways had a virtual monopoly in land transportation. The essence of the approach then adapted was that intervention and detailed regulation would be a substitute for the missing element of competition. Time and technology have combined, however, to supply that missing element and railways today are subjected to increasing and direct competitive pressures from all types of carriers.

Regulations cover every phase of railroad activity. They constitute a curb on managerial decision but, more important, they are costly as well. Their cumulative effect epitomizes a philosophy of control in which there is restraint first and management discretion second. Their crippling effect, however, is to be found in the field of freight rate making.

In the repetitious debate which inevitably surrounds such a problem, the issues sometimes are clouded. For example, there have been from time to time attempts to attack the premise that the structure of control was designed for a monopoly situation. In this respect, however, the position taken by the railroads is unassailable. Official recognition of the changes in modes and patterns of transportation and their effect on the railroad industry has been given in Canada, and again in the notable report of the Presidential Advisory Committee on Transport Policy and Organization under the chairmanship of your Secretary of Commerce, Mr. Sinclair Weeks. It must by this time be patently clear that the control system as presently constituted is inconsistent with the trends of the times and that the *rationale* of regulation—a condition of monopoly—steadily is being eroded.

So long as railways were practically the only media of land transport, the revenue slack resulting from the carriage of low-value commodities could be made up by increased revenues from high-value commodities. This is no longer possible because the high-rated traffic is now intensely competitive, and highway carriers set a rate ceiling beyond which it would not be practical for the railways to go. Complicating the matter further is the fact that the rate structure which has evolved has developed into something akin to a vested interest in low rates on many commodities, even though the sanction for such rates has ceased to exist. As a matter of fact, some economists in Canada estimate that 50% of all freight is carried below the average revenue for all traffic, 25% at cost and the remainder at a profit. In the days when railways did have a monopoly, somehow they managed to meet their over-all costs from this small percentage of profitable business. But now competing carriers are chipping away at this segment of the business and the railways are so bound up with regulation that they are practically helpless to do anything about it. The true economic result of this condition is seldom appreciated because it is usually discussed as if the situation were merely a complaint by the railways about new forms of competition. The real point, however, is that as a consequence of unrealistic regulation in the field of railway freight rates, the community as a whole is paying more for its transportation service than is necessary and many shippers are deprived of an opportunity to get the service which best suits their needs in terms of cost and quality. Let me see if I can strip away some of the detail and some of the bewildering technicalities of the freight rate structure and expose plainly the point I am trying to make.

From the standpoint of the railway, the transportation market consists of two main categories — a competitive area and a non-competitive area.

First let us consider the competitive area. This consists of the large and increasing volume of traffic which no longer is exclusively available to the railways. That is to say for all practical purposes, the character and nature of the traffic as well as its location is such that the shipper has complete freedom in his choice of the transportation service best able to meet his requirements and his price. He is free to bargain between several modes of transport and to select that which he regards as most effective for his purpose. But while the shipper is free to choose, the railways are not free to determine the service they have to offer nor the price tag they put upon it. Railways are not free to determine the nature and content of service nor the rates to be charged, but are enmeshed in a regulatory framework which stipulates such criteria as "just rates," "fair rates," "non-discriminatory rates" and so on, as well as a whole host of conditions of service implicit in the definition of railways as a "common carrier." Such stipulations cannot be imposed effectively upon competing forms of transport so that I find it difficult to understand why the railways, like their competitors, should not be permitted to offer or withhold service and, if offered, to set a market price dictated purely and objectively from the point of view of costs and quality and conditions of service made available by other carriers. The railway industry must pay market prices for its requirements, but is denied the market price for its product. For emphasis I repeat that I am referring so far only to freedom of action within the confines of the free market area where no unfair advantage would be possible but only permit the railways to provide realistic competition and give shippers the opportunity to obtain the transportation service best suited to their needs and at the lowest price. In such an environment, **competition** would dictate rate making and would of itself be an effective regulatory force.

Where Railways Have a Monopoly

Now let us look at another category of traffic where freedom of action by the railways may not yet be in the public interest. It consists of that class of traffic where by reason of circumstances such as distance from markets, tremendous weight or enormous bulk, only the railways are capable of providing an effective transport service. Usually the products I have in mind **must** have cheap transportation, failing which their production and delivery to market is not economically possible and will not take place with the result that in many ways the public interest would suffer. In such circumstances the railways enjoy what can be described as a "functional monopoly" and I concede the need for continued regulation. Remember this functional monopoly has nothing to do with the presence or absence of other forms of transport. Indeed, both types of traffic will co-exist in all areas and even transport of the same commodity may under some circumstances have to be regarded as a functional monopoly and in others as a free market operation. Flour, for example, may be absolutely dependent upon rail transportation when its market is some thousands of miles distant but may be optional when within say a hundred miles. In the range of movements which are determined as being within the functional monopoly control of the railways, the natural checks and balances of the free competitive market are not available to shippers so that regulatory authority must continue to substitute for the missing element of competition. What I mean is that when a functional monopoly is found to exist, then only by regulation can the conflicting views of all concerned—commodity against commodity, shipper against shipper and shipper against railway — be co-ordinated so that there will be individual fairness and equity and the public interest preserved.

It will be appreciated, of course that by definition rates which are permissible in this regulated area will be marginal or even sub-marginal in respect of railway costs and that the railway industry could not survive unless it was enabled to support this burden from other sources. That is exactly the point of my suggestion, namely that the best source is to give freedom of action to the railways in the free competitive market area and that this will in due course produce such volume of **profitable** and **appropriate** rail traffic as will enlarge substantially the ability of the railway industry to carry the burden of that traffic which continues to be rate regulated in the public interest. When railways are able to quote the price for their services and set the conditions for that service in terms of a full recognition of the competing facilities available to shippers, then the best instrument of transportation will win out in the race. The natural advantages which exist in each type of transport medium will come into full play and the shipper will benefit through having available to him the most effective transportation service at the lowest price which market conditions can produce. Moreover, each form of transport will then have a compelling incentive to strive for ways and means of improving service as well as price, and this always to the advantage of the consumer.

Now all of this, I admit, is a most over - simplified statement about a most complicated problem for the subject of transportation is about as complex as civilization itself. But it does, I hope, introduce a provocative note into the thinking processes surrounding one of the most important economic problems in the domestic field. It has seemed to me that too often discussion has produced very little but heated attack and counter-attack between conflicting interests without much constructive suggestion as to how the admittedly confused situation might be cleared up — how the rules of the game may be revised so as to be basically fair to all. I do not suggest that the present environment could or should be changed overnight. I recognize that much patient exploration is required and much expedient action may have to be taken in recognition of vested interests which have grown up under the present regulatory framework. But if an objective could be set and if some set of principles could be recognized, I am confident that a much healthier atmosphere would develop and that the North American genius for realistic adjustment to facts would assert itself. At all events, I hope the bare outline which I have drawn will give the members of the Economic Club some food for thought and that through their widespread influence there will be stimulated a positive interest in the need for constructive action aimed at removing the shackles that prevent the railway industry from contributing its full share towards the economic welfare of our respective countries.

Tonight, gentlemen, I have touched on many things about Canada, its progress, its prospects for the future, some of its problems—its great and enduring partnership with the United States. I have by no means attempted to paint the whole picture, but to present something in the nature of a portrait of a neighbor. I earnestly hope that you will find on the canvas a strong family resemblance, and from that derive a better understanding of our nation and its people.

Salt River Project to Sell $21 Million Bonds

Wainwright & Ramsey named Consultant to Arizona District.

Plans for the sale of a total of $21,000,000 of bonds by the Salt River (Arizona) Project Agricultural Improvement and Power District, were announced Nov. 29 by Victor I. Corbell, President of the Project. At the same time, Mr. Corbell announced the appointment of the firm of Wainwright & Ramsey, Inc., New York City, consultants on municipal finance, as consultant to the Salt River Project.

Net proceeds from the sale of the bonds will be applied toward the cost of construction of two new 100,000 kilowatt plants, which will ultimately add to the Salt River Power District's firm power sources and will aid the Project in meeting the rapidly increasing demands for electricity in the area it serves in Central Arizona. The new bonds will be supported by revenues from sales of electricity, in addition to being general obligation bonds, Mr. Corbell said.

Bonds will be marketed as the need for funds arises, and the initial phase of the financing is expected to get under way shortly after the turn of the year when a total of $11,000,000 of the bonds will be sold. This particular amount of bonds was authorized at a special shareholder election held on Nov. 30, 1954.

The Salt River Project, which embraces the Power District as well as the Salt River Valley Water Users' Association, covers a large area in Central Arizona and surrounds the City of Phoenix. Since its beginning in 1903 as the first multiple purpose reclamation project to be authorized under the Hansbrough-Newlands Act, the success of the Salt River Project has resulted in many other ventures in reclamation throughout the West being patterned along similar lines.

Electric power is generated, purchased and sold in three counties, Maricopa, Gila and Pinal, by the Salt River Power District, while the Salt River Valley Water Users' Association provides water for the irrigation of 240,000 acres of land in the Salt River Valley. The continuing rapid growth of population in the territory served by the Salt River Project is reflected in a steadily increasing number of electric customers and expanding agricultural operations.

An all-time high in sales of power required the District to produce and purchase a new peak total of 1,116,402,345 kilowatt hours of energy during 1954. This was an increase of 7% over the requirements for 1953. Customers served at the close of last year amounted to 39,881, over 15% more than the 34,546 served in 1953.

The Water Users' Association also reported substantial gains in operations during 1954, with the total number of irrigation accounts increasing from 70,953 at the close of 1953 to 76,669 last year. The number of individual water deliveries totaled 454,993 at the end of 1954, compared with 425,228 at the close of 1953.

Joins Sutro Staff

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—William H. Maderis is now with Sutro & Co., 35 North First Street.

Anderson Pres. of Carolina Securities

RALEIGH, N. C.—Glenn E. Anderson has been elected President of Carolina Securities Corporation, Raleigh, New York and Charlotte, N. C., investment firm. Fred W. Reebals, connected with the business since 1933 and President of the firm since 1947, becomes Chairman of the Board of Directors. Company officials said these changes took place at the annual stockholders and directors meeting held recently at the company's Raleigh office. Mr. Anderson became associated with Kirchofer & Arnold, Inc., a predecessor firm, in 1934. He was Vice-President and Director of this company when its securities business was taken over in 1947 by the company which is now Carolina Securities Corporation. He has been serving as Executive Vice-President and Director. In addition to his present office Mr. Anderson holds a directorship in Piedmont Aviation, Inc., Winston-Salem, Anvil Brand, Inc., High Point, Carolina Wholesale Florists, Inc., Sanford, and Superior Cable Corporation, Hickory, of which firm he is also a Vice-President. Mr. Anderson is Secretary of the North Carolina Securities Advisory Committee, and has served as Chairman of District No. 11 of the National Association of Securities Dealers, and President of the Raleigh-Durham Bond Club. He organized and was the first President of the Securities Dealers of the Carolinas.

Glenn E. Anderson

Other officers, all re-elected, are: C. S. Kipp, Charlotte, C. F. Hazelwood, New York, G. H. Rosser, Durham, S. J. Steele and J. B. Vaden, Raleigh — Vice-President; G. C. Fruitt, Rockingham, and Jack W. Noneman, New Bern—Assistant Vice-President; J. P. Abernethy, Raleigh — Secretary and Treasurer; C. F. Crutchfield—Raleigh, Assistant Secretary.

Carolina Securities' headquarters office is in the Insurance Building, Raleigh, N. C., with branch offices at 40 Wall Street, New York, N. Y. and in the Johnston Building, Charlotte, N. C.

Form Standard Secs. Corp.

Standard Securities Corporation has been formed with offices at 25 Broad Street, New York City, to engage in a securities business. Officers are Roland S. Feigus, President; Theodore Freedman, Secretary and Treasurer; and Stanley Raskin, Vice-President. Mr. Feigus was formerly with Milton Blauner & Co. and Jacobs & Low.

Two With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edward H. Smithers and Nina Williams have joined the staff of William R. Staats & Co., 111 Sutter Street.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Walter J. Gilbert is now with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Now With Walston

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James L. Tarne is now with Walston & Co., 26 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Railroad Securities

By GERALD D. McKEEVER

Pittsburgh & Lake Erie

The fortunes of the Pittsburgh & Lake Erie are closely tied to the level of steel operations in the Pittsburgh district. Almost 75% of the road's revenues are derived from traffic directly identified with the production of iron and steel, viz.: 28% from soft coal and coke, 12% from iron ore, 13% to 14% from scrap and flux, and some 20% from iron and steel products.

The outlook for a high level of operation of the steel industry for the next year or more thus points to the continued prosperity of the Pittsburgh & Lake Erie, although it is quite possible that earnings may not come up to the $13.50 per share estimated for 1955. Some allowance will have to be made for the effect of the current round of wage increases which are likely to have particular impact on the Pittsburgh & Lake Erie because of its high wage ratio which latter is largely ascribed to the road's character as a "switching" company and to the cost of maintaining its extensive car fleet. As will be explained later, the Pittsburgh & Lake Erie has a heavy ownership of freight car equipment and is a rentor on balance.

The capitalization of the Pittsburgh & Lake Erie is aptly geared to its circumstances which are subject to wide fluctuations. Long-term debt, consisting almost entirely of equipment trust certificates, amounts to just over 22% of combined debt and equity capital, taken either at book or market values. Fixed charges accordingly are equivalent to only a little over 2% of average revenues for the past five years. Thus despite the drop of some $16 million in revenues in 1954, a decline of about 32½%, and in spite of the road's inability, or possibly its unwillingness in the case of maintenance, to reduce expenses in equal proportion, earnings amounted to $9.86 per share and the $6 dividend rate was maintained.

This was also made possible because of the large contribution to earnings made by car rentals which provided a net balance of over $10 million in favor of the road in 1954. Like most coal carriers, the Pittsburgh & Lake Erie finds it expedient and profitable to have ample car ownership and it has traditionally made a net profit on cars interchanged with other roads. For years this road had financed the acquisition of its rolling stock internally out of its own earnings and was one of the country's very few debt-free roads, not counting an inconsiderable amount of inter-company debt. But the cost of equipment mounted fast after the war and the out-of-pocket financing of equipment ate severely into the road's working capital.

The result was a change in policy, and in May of 1950 the Pittsburgh & Lake Erie sold its first equipment trust issue and in the amount of $10 million. Five additional issues aggregating $26,770,000 were placed in the succeeding two years, but the total has since been reduced to about $25 million by annual retirement of just over $2.9 million, or roughly 8% of the aggregate of the original amounts issued.

The road's total debt, it should be noted, does not take into account the *very* contingent liability this road has with the Pennsylvania RR. and the Baltimore & Ohio in respect of $9,885,000 Monongahela Ry. first 3¼s due in 1966 in the joint and several guarantee of principal and interest, or its $600,000 contingent liability as the co-indorser with the Pennsylvania RR. of a $1,200,000 note of the Youngstown & Southern Ry. Co. Both of these roads were acquired from the Pittsburgh Consolidation Coal Co. jointly with the Pennsylvania RR. and Baltimore & Ohio.

The Pittsburgh & Lake Erie, controlled by the New York Central through its ownership of 50.2% of the capital stock of the P & LE, operates about 221 miles of road extending from Connelsville, Pa. on the south where it connects with the Pennsylvania RR., B & O and Western Maryland, to Youngstown, Ohio, via Pittsburgh and McKeesport. Another line extends southward from McKeesport to Brownsville, Pa., where it connects with the jointly controlled Monongahela. These lines from Pittsburgh south are those of the Pittsburgh, McKeesport & Youghiogheny which the P & LE owns jointly with the New York Central and operates under lease. Its own line extends north and west from Pittsburgh to the New York Central junction at Youngstown.

The traffic density of the Pittsburgh & Lake Erie is the heaviest of any of the Class I roads. This is explained in part by the heavy tonnage character of the greatest part of its traffic: coal, iron and steel, etc. It is more notable that its revenue density, or revenue per mile of road, is also the highest in the country, and the same is true of its net earnings per mile. The Pittsburgh & Lake Erie is thus a compact and efficient operation, and its stock yielding about 5.7% at the current price of 106, holds a large measure of investment appeal on the strength of these merits alone.

There is a further angle, however. The Pittsburgh & Lake Erie is a highly important adjunct to the New York Central system, providing it with access to the whole Pittsburgh steel-producing area and also feeding it with important coal originations. It is the avowed policy of the new management of the New York Central to simplify its corporate structure by acquiring a sufficient proportion of the equity of subsidiary roads to consolidate financially. This has already been done in the case of the Boston & Albany and two of its tributary lines through an exchange of New York Central bonds collateralized in part by the stocks of the subsidiary roads in question, and a similar proposal has been indicated for holders of Beech Creek and Peoria & Eastern stocks.

However, none of these stocks have the investment character or merit of Pittsburgh & Lake Erie, and in case the Central should make an exchange offer for the latter stock to acquire all or the greater part of the almost 50% that is publicly held, it will probably have to be a most attractive offer to get action. This possibility, in addition to the sound quality of Pittsburgh & Lake Erie stock, is believed to be the principal reason for its selling at a level to yield less than Chesapeake & Ohio or Norfolk & Western common stocks, for instance.

It seems less likely that the current price reflects the expectation of an extra dividend although the margin of available income over the $6 per share dividend is admittedly large since the $2.9 million requirement for the annual serial maturities of equipment trust certificates is covered by depreciation allowance by a considerable margin. While it is possible, the payment of an extra would seem to run counter to any plans to acquire the publicly held stock on the most favorable terms, if such plans are being entertained at all.

Continued from first page

Economic Developments Point to a Crest Ahead

because in time you really can't lose with such an expanding economy.

No one is more optimistic about underlying business prospects than I, but I must admit I get a little uneasy these days when I hear some comments along these lines. The danger is that underlying growth is being taken for granted, as literally underwriting the almost indefinite success of individual industries, markets, and products. In my opinion, this simply is not true, and certainly if we have in mind continuation of anything like present products and present methods of manufacturing and distribution. There is reason for concern if we allow ourselves to rely too heavily upon long-run growth and neglect problems of short-run stability.

As much as we can all use the word "growth" with confidence in pointing to the future, we must never dissociate **"growth"** from **"change."** Who will dispute that among business executives and consumers today there is far greater willingness to **accept change**—indeed to **demand change**—than ever before? This can only mean conditions ahead which will be far different from those suggested by the smooth upward tilt of "growth" curves now being prominently displayed on the walls of many directors' rooms and in hundreds of attractively prepared reports for management.

Yes, growth and change have become the key words in appraising what lies ahead. There is nothing very new about them, but I commend them to you. In 1956, the year in which we are primarily interested here, we will see moderate growth but, I believe, much more change.

By Nov. 16, I suspect that most people in this audience concerned with planning business operations for 1956 already have made their forecast of general business—certainly for the first half of the new year. Very likely your accountants are well on their way toward refining sales forecasts into profit projections. In some instances, final forecast reports have been submitted and perhaps even filed.

Nevertheless, there is still some point in taking another look at general economic prospects. In my opinion forecasting can never be successful unless it is accepted as a continuous process. Hence, there is value in a systematic sifting of forecast information aimed at checking and modifying (as required) whatever actual forecast is being used for business and related planning and operating purposes.

In view of today's meeting being scheduled somewhat beyond the mid-point of the fall and early winter forecasting season, it would seem appropriate that we begin our analysis with a brief summary of the most commonly accepted view of 1956 prospects held across business at the present time. I like to call this the "standard" forecast of general business.

The "Standard Forecast" Is Moderately Optimistic

A review of several hundred published and unpublished forecasts made in recent weeks reveals the following consensus, with which I'm sure you are generally familiar: (1) 1956 as a whole will be a slightly better year for general business than 1955, and hence set a new record in output and sales; (2) general business probably will more up no more than 1 or 2% from the present level; (3) a period of leveling or fractional decline will become evident by mid-1956; and (4) very little further inflation will occur.

The standard forecast clearly bespeaks moderate growth and the promise of some important changes. But, how accurate is the standard forecast likely to be? If the standard forecast is no more accurate than during the initial postwar years, the safest bet would be to take the opposite view. If, however, the standard forecast proves to be as accurate during 1956 as during the past two years, the general direction suggested by the forecast should be accepted, but with some allowance for wider variation in the amplitude of change. Frankly, I believe the recent improved accuracy of the standard forecast is a tribute to greater economic literacy and to rising longer-range confidence in the economic future. Nevertheless, I am not willing to accept this forecast, at least at this point. For, in my view, no forecast is worthy of acceptance until it has met three crucial tests: (1) Is it economically sound? (2) Is it politically possible? (3) Is it psychologically feasible? Let's explore the 1956 horizon further with these three tests in mind.

Economic Developments Point to A Crest Ahead

Admittedly it is impossible to separate economic forces in any strict sense from political and psychological influences affecting general business. Nevertheless, dominant economic developments can usually be traced to basic supply and demand relationships. Accordingly, by reasonable study we can often obtain some rough indication whether the nation faces a period of shortages or excessive supply in relation to prospective buying power, or perhaps something in between.

On such economic grounds, there is good reason now to anticipate that general business will reach a crest within the next 6-12 months. The key factors contributing to this outlook are likely to be inventories and possibly credit.

We all know the disproportionate influence of a change of inventories upon the course of business. While inventories are being accumulated, there is a two-fold expansion to meet immediate consumption as well as to provide supplies for store shelves and warehouses. Similarly, during periods of inventory liquidation there is a marked adverse impact upon general business because orders and output are reduced well below current consumption—which itself may be falling—in order to use up quantities of goods available from earlier production.

In recent months some modest inventory accumulation has taken place, but predominantly among certain raw materials and goods-in-process rather than widely among finished goods. Past experience suggests that current inventory accumulation will proceed for at least six months to a maximum of perhaps 15 months before the reverse process of inventory liquidation begins. Thus inventories should cease to be a stimulating factor some time after the spring of 1956 and thereafter exert a neutral or perhaps even a depressing force upon the economy. Forecasters anticipating a distinct slow-up in general business during the second half of 1956 overwhelmingly stress this expected change in inventories with the real "test" occurring between April and June. My own feeling is that inventory accumulation (or no more than very slight liquidation) will continue well through next year in view of: (1) the many badly depleted inventories across industry, (2) the inability of some businesses to obtain the necessary additional credit required to build inventories, and (3) a well sustained high level of final consumption.

Expected developments in consumer credit also provide further support for the view that a crest in general business will occur next year. The sharp rise in consumer credit in 1955 suggests at least a "catching-up" period ahead. Very likely some leveling will occur by mid-1956 when repayments on outstanding consumer debt promise to catch up with new credit obligations and temporarily slow down the strong expansionary effect of mounting consumer credit. Needless to say, a mere leveling in the volume of consumer credit outstanding means a distinct loss in the forward movement of the economy.

Some general credit limitations—imposed by Federal Reserve and Treasury policies—also seem likely to be in force during at least part of 1956, but for reasons to be given later, there is room to doubt that credit will be a major limiting factor on business next year. Nevertheless, the outlook is for credit extension to be at a reduced rate in 1956 with attendant implications for general business.

The level of consumer purchasing power during the coming year should improve slightly because of somewhat higher average employment and wage rates plus prospects for a tax reduction. The consuming public almost certainly will have somewhat greater after-tax income next year, but we will have to defer for the moment the largely psychological question concerning the willingness of individuals and families to spend their available funds next year.

It is well recognized that automobiles and new housing have been major stimulants to general business during the past year. The best informed opinion now is that no further expansion is in sight for either industry, and in all probability some modest (i. e., 5-10%) decline will be evident by the fall of 1956. Experience plus careful analysis shows, however, that we never want to underestimate either the ingenuity of the automobile industry to design and sell cars, or the mounting interest of American families in better housing. In my judgment, no major decline is in prospect in either of these fields. In the case of home building I feel quite confident that an expansion in "fix-up" (i. e., repair and modernization) work next year will go a long way toward offsetting whatever reduction occurs in the building of entirely new dwellings.

Many other economic forces could be mentioned which will influence the course of general business, including productivity and population growth. They would still provide little basis, however, for anticipating any new marked upsurge in general business in 1956.

In summary, looking at the economic forces likely to be at work

over the coming year there is overwhelming evidence of great near-term strength, but there are also numerous signs that further expansion will be difficult to achieve, especially beyond next summer. The case for a crest in general business on economic grounds, consequently, appears rather convincing. The case for a downturn in 1956, however, rests heavily upon a period of marked inventory liquidation together with distinctly lower consumer and government buying. In my opinion these are not very strong prospects at the present time. "Momentum" thus best describes the results of current economic forces at work. The principal question concerns the source of some new economic strength to help the present forward momentum from faltering before 1956 comes to a close. Might this source be found in the political arena?

Political Developments Indicate Further Supports to Business Ahead

Some years ago the field of economics was referred to as "political economy." Certainly this is a more descriptive title of what's actually involved. Even if 1956 were not an important national election year, it would still not be possible to frame a meaningful forecast of general business without careful consideration of the probable impact of political developments. Actually most aspects of economic life next year will be clouded or colored by another Presidential nomination and election spectacle. There may be good reason, in fact, to describe 1956 as a year of "political prosperity," which means at least a year in which politicians promise and promote prosperity for all voters (and probably prosperity for politicians as well). This "political prosperity" view for 1956 is now widely held and perhaps even to a somewhat greater extent since the President's heart attack in September.

While the power of government to influence the course of business cannot be minimized, nevertheless I am not willing to concede that the national economy can be guided smoothly and accurately along a path of "balanced boom" by perfectly timed and executed actions of government. To date at least I find little evidence that the so-called compensatory principle means much more than determined efforts to support business during periods of actual or potential weakness while any fiscal surpluses seem destined —even before they are actually achieved—for tax cuts rather than debt reduction.

I do not in any way want to minimize the very commendable job which the Federal Reserve has done this year in exercising monetary and credit restraint in the face of a strong business upsurge which has taxed much industrial capacity and placed upward pressures on many prices. It is very much open to question, however, just how long this restraint can or will be continued, particularly in view of the uncertainty over the President's illness and next year's election campaign. It is not difficult to detect varying shades of political concern—Democratic as well as Republican — in Washington these days and plans are being made in many quarters to "do something" to gain political strength next year. I believe it is accurate to say that the politically acceptable minimum levels of many economic measures (e.g) housing starts and farm prices) have moved up sharply in recent years, and the political repercussions of almost any rise in unemployment are well-known.

Frankly, there seems to be no escape from politically motivated economic policies, for a very practical reason. Most politicians feel they must have them and the public raises little or no objection. Accordingly, 1956 should see a fairly substantial tax cut, principally for individuals, coming late rather than early in the next Congressional session; an expanded farm support program; possibly moderately increased defense expenditures, particularly in light of increased tension in the Middle East; certainly more highways and public works; very probably some expansion in health, education, and welfare activities of government; and prompt action in the monetary and credit field at any sign of significant economic distress. Whether such reversal in monetary and credit policy will bring an equally prompt expansionary response from the public and business is one of the most gnawing uncertainties of the hours in economic as well as political circles.

Several references already have been made to the President's heart attack, which came as a major shock to the nation and the world. By way of contrast, in recent weeks there seems to be almost uniform dismissal of the economic significance of the President's illness. I wonder whether this is wise. May there not be some very important secondary repercussions at work despite rising confidence that the President will achieve near normal health over coming months?

Would you agree that the abrupt change in the President's health and the strong probability that he will not seek re-election have been factors contributing to certain shifts in Administration policies toward more direct government support to the economy? Recent developments in aid to farmers and perhaps in monetary and credit areas as well may illustrate this point. Perhaps here we should conclude that politically speaking the country seems to be nearing or entering a period of moderate stimulation with some inflationary implications. Government action is likely to be forthcoming in direct relation to any indication of economic distress. That such stimulation is coming can hardly be questioned; what it will mean to individual businesses as well as the country as a whole is far less certain.

But regardless of any changes in government policies — already made or in the offing—what can be said about changes in the attitude of business executives and the public, especially since the President's illness? This leads us to a consideration of the psychological influences upon next year's business prospects.

Confidence Dominates Near-Term Thinking

Economists and psychologists are finding that they have more and more in common these days as they try, individually and as teams, to anticipate changes in human motivation and behavior. In my opinion, the psychological forces at work next year will be at least as important as more strictly economic and political developments in shaping the actual course of general business. The prospects are that business confidence will weaken somewhat as the year unfolds and that consumers will show increasing signs of becoming "more choosey" in their buying.

Anyone who is familiar with the methods currently available to measure human motivations, intentions, and confidence knows their very marked limitations. Yet, considerable advancement has been made from the days not too long ago when forecasts were based largely upon the assumption that an individual would behave as an "economic man" or at least follow a fairly rigid pattern of income-spending relationships. The post-World War II experience has thoroughly demonstrated that past records often provide very unreliable guides to future human actions. As proof, we need only to remind ourselves how radically different consumer attitudes are today toward such matters as housing needs, credit, and family size and mobility from only a decade ago; moreover, as indicated earlier, business planning currently is based upon far more confidence in the longer range outlook than at any previous time. Again we can see the importance of "change" in business forecasting.

Prior to the President's heart attack, barometers of business and consumer confidence stood at a new high. In fact, confidence seemed almost too high to be sustained, with increasing possibilities of either a sudden burst of speculation or break toward pessimism. News of the President's ill health dramatically took the edge off business and especially investor confidence, but quite evidently did not noticeably affect the buying attitude of the public. As suggested, business confidence, at least on the surface, now seems to be substantially restored. Nevertheless, the "shock" of the President's heart attack is dramatic proof that our economy is not confidence-proof. This experience should remind us that other shocks could come at any time because of unexpected economic or political developments.

Regardless of political affiliation, it's my impression that the average business executive as well as the average citizen gets caught in a whirl of political and economic uncertainty — perhaps confusion is the better word — during a Presidential election year, particularly during the weeks immediately preceding the final voting. If there is any prediction which I am willing to make without qualification today, it is that 1956 will see a new high in such uncertainty and confusion.

Let's briefly set the stage—Democratically controlled Congress; Republican Administration with a President previously expected to win re-election very likely out of the race; long and bitter Congressional debates on virtually all important bills because of inherent efforts to establish campaign "issues" — not to mention related maneuvers to get "credit" for potentially popular legislation (e. g., tax cuts); a continuing business boom alternatively described in political debates as "tired" and "vigorous," but probably defying either label; advancing wages and prices; scattered business adjustments as shortages disappear and inventories are built; tightrope walking by monetary and credit authorities; later than usual nominating conventions and campaign oratory, highlighted to the most minute detail by unprecedented television coverage; conflicting polls of election prospects — or at least conflicting interpretations; wavering security prices changing with the political and economic headlines; new international unrest fostered by the Communists while American attention is focused on domestic political issues; and finally, the actual election results —a new (?) President and a new Congress.

Past experience shows conclusively that our nation will survive this ordeal, whatever the outcome — comments of foreign observers to the contrary. But I personally believe business planning may lose some of its present vigor in the process, in direct relation to the prospects for changes in government policies affecting business operations, earnings, and investments. In short, there seems to be a better than even chance that secondary shock waves from the President's heart attack may become evident by mid-1956 or shortly thereafter and bring a temporary slow-up in business expansion plans. Such an occurrence could easily accelerate inventory liquidation and moderately retard business, but any change in capital expenditure plans could hardly affect the general business situation until sometime in 1957. Present firm plans and commitments for new plants and equipment pretty definitely assure higher levels or such expenditures throughout 1956 than during the current year.

Let's not rule out in our thinking the implications of the renomination and re-election of President Eisenhower. In fact, a resurge in business confidence as a result of political developments late next year might touch off a new wave of confidence and pose some real problems in keeping the boom in hand.

Well, this seems to add up once again to more growth and more change in 1956 as far as business managements are concerned. Over-all prospects still seem pretty solid. But we still have to answer the question — how will consumers react to all these economic and political developments next year????

Here's the greatest challenge to everyone in business. We all recognize that consumers as a group do at least two-thirds of all the spending in this country. Recent studies of consumer buying trends and intentions re-emphasize the two conditions necessary for sustained, substantial purchases by the public: (1) adequate financial (including credit) resources, and (2) a feeling that now is a "good time" to buy.

As suggested earlier, the outlook is for slightly higher disposable income in 1956 as a result of increased incomes and somewhat lower taxes. Throughout much of next year credit may be expected to be a bit tighter than during the early months of 1955. But certainly there is little prospect of really tight credit conditions next year in either mortgages or general consumer financing.

Heavy debt repayment schedules next year on 1955 purchases will retard some new buying, particularly of "big ticket" items for certain families. The continued movement of large numbers of families into higher income brackets, however, will open up many new market opportunities. There is unmistakable evidence that families in all sections of the nation have found postwar advances in living standards very much to their liking —and their only desire is for MORE in an election year the same as any other.

But, will 1956 be judged as a "good time" to buy? Present odds would suggest that it won't quite measure up to 1955 because (1) contrary to the "standard forecast," I believe, prices will be advancing rather noticeably, at least during the first half of the year, and thus will average moderately above present levels, in contrast to stable and attractive prices this year; (2) heavy buying this year has reduced the urgency and incentive to buy many items; and (3) most goods will be in greater supply and hence there will be less tendency to purchase hurriedly to insure the merchandise actually will be available for use.

This seems to leave the question of the 1956 consumer buying level to a very important extent up to those of us who have something to sell — whether it be petroleum products from your companies or building materials and flooring products from ours.

Summary and Conclusion

Our forecast says 1956 will be another good — yes, a record — year for general business, and probably somewhat better than indicated by the "standard forecast." But we will not be able to count as much on general economic expansion to bolster sales and earnings over coming months as we've experienced recently. We'll be more on our own. Market opportunities will be larger than ever, but selling will have to be more skillful and new products may well be needed as insurance to bridge temporary soft spots in demand for existing products. We should not rely unduly upon long-term growth to insure successful operations next year. Our principal—perhaps our only—chance to keep our perspective in the coming year of "political prosperity" will be to establish realistic product and market goals and lay careful plans now to achieve them with due regard for the many uncertainties which very definitely will arise.

Well, that's my forecast. It seems to meet my three tests: economically sound, politically possible, and psychologically feasible. I'll buy it. Will you?

Blyth-Merrill Lynch Group Offers Montana-Dakota Utilities Pfd.

Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane jointly headed a group offering publicly yesterday (Nov. 30), 50,000 shares of Montana-Dakota Utilities Co., 4.70% series cumulative preferred stock at par ($100 per share).

Proceeds from the sale will be applied toward the payment of short-term bank loans, amounting to approximately $6,500,000 as of Dec. 1, 1955, incurred to provide temporary financing of the company's 1955 construction program. This program is expected to involve expenditures of approximately $13,000,000, including $9,000,000 of natural gas facilities and $3,575,000 of electric facilities.

Montana-Dakota supplies natural gas and electric service in Montana, North and South Dakota and Wyoming. During 1954, total operating revenues were derived 56% from gas sales, 42% from the sale of electricity and 2% from other sources. For the 12 months ended Aug. 31, 1955, the company reported net income of $2,993,413 on total operating revenues of $22,210,287.

Giving effect to the current issue, capitalization of the company will consist of: $45,071,891 in funded debt; 150,000 shares of $100 per value preferred stock in two series; and 2,000,221 shares of common stock, $5 par value.

Among those associated in the offering are:

Kidder, Peabody & Co.; W. C. Langley & Co.; A. C. Allyn and Co. Inc.; Central Republic Co. (Inc.); The Milwaukee Co.; F. S. Moseley & Co.; Piper, Jaffray & Hopwood; Dean Witter & Co.; Blair & Co. Incorporated; W. E. Hutton & Co.; Equitable Securities Corp. and Laurence M. Marks & Co.

Form Harold Shore Co.

Harold C. Shore & Company has been formed with offices at 50 Broad Street, New York City, to engage in a securities business. Partners are Harold C. Shore, Bertram P. Shrank, Joseph Sherwood, Charlotte Rosenzweig, Harry Sugar, Newton D. Heller, Sam Boris and Emanuel R. Isroff.

Strauss & Co. Opens

Strauss & Co. has been formed with offices at 40 Exchange Place, New York City, to engage in a securities business. Partners are Kurt Strauss and Fritz Kaufmann.

B. C. Christopher, Jr.

Benjamin C. Christopher, Jr., partner in B. C. Christopher & Co., Kansas City, Mo., passed away on Nov. 16.

Continued from first page

Petroleum Financing

October 1930 and within nine months threw on the market 750,000 bbl. per day of cheaply developed production at a time when the country's daily consumption was only 2,500,000 bbl. It had to be shut in by Texas State Troops and then prorated, after a fashion, before legal machinery had been perfected for such control. At the same time, overproduction in the Oklahoma City field drew out the state militia there. The posted price of representative 36-deg-API Mid Continent grade crude oil in nine months broke from $1.29 to 18 cents per barrel, whereas East Texas oil sold at any price obtainable—as low as five and ten cents per barrel. The rate of drilling new wells dropped to about one-third of the previous normal, and the producing companies drastically reduced their exploration personnel. And for several years a chaotic supply-demand-price situation prevailed.

Under such conditions development and expansion by the independents had to be financed, if possible, by equity money; there were few bank loans possible, and those had to be of short maturity. Even prior to the depression, the violent fluctuations in crude oil prices did not inspire confidence in producing property. For example after World War I the price of 36-deg-API Mid Continent crude oil rose to $3.50 per barrel, holding through 1920. It fell in 1921 to $1, and in the 1921-1930 decade there were 23 increases and 27 decreases in the posted price. Those up-and-down changes were wide —the price ranging from $1 to $2.29. During periods of overproduction and low prices, drilling was retarded and fewer new fields were discovered. As production declined, oil was withdrawn from storage, refiners competed for crude oil, and the price would rise. This induced expansion in drilling programs and new fields would be brought in, thus completing the cycle. Wells were permitted to produce at their maximum productive capacity, and the gushers in new fields often quickly oversupplied the market. There was no official proration or regulation (until 1927), and the oil-producing industry was a "feast or a famine" business. The basis for credit to oil producers is the value of property and the probable future profits from production. How could bankers rely upon any appraisal of reserves when the price of oil was known to fluctuate so widely?

Both producers and consumers badly needed a control which would stabilize supply and prices. The mechanism adopted was proration—the allocation of production by properties and fields and restricted to market demand. The State of Oklahoma inaugurated proration in the Seminole field in 1927. The East Texas and Oklahoma City fields were placed under state control in 1931. By 1935 the State of Texas passed its revised conservation law, and many other states shortly followed suit. These laws were based upon the state's power to reduce production for the purpose of preventing waste, inasmuch as production at excessive rates dissipates reservoir energy and lessens the ultimate recovery. But fortunately the restriction also limited production to "market demand," which has the economic effect of stabilizing prices. Thus the conservation laws have enabled the several state commissions to increase the ultimate recovery of the natural resource and, at the same time, hold production within reasonable limits and thereby prevent the former violent fluctuations in crude oil prices.

After the severe price reduction caused by the depression and the East Texas field, the price of 36-deg-API Mid Continent crude oil was arbitrarily raised to $1 by Secretary Ickes in late 1933 and held at $1 or slightly above until World War II. With the gradual establishment of the proration procedure, price fluctuations have practically ceased. The last general price cut in Mid Continent crude oil occurred in August, 1939 when some companies reduced prices in Texas by 20 cents per barrel. The Texas Railroad Commission immediately declared this to be in violation of the conservation statute and shut down most of the wells in the state. The former price was restored 16 days later and held through the war. There have been several raises since the war to the present price of $2.82, but there has been no general price cut in 36-deg-API Mid Continent for 16 years.

Prior to proration and the unitization of oil fields, the oil in any new field belonged, under the "rule of capture," to the operator who produced it, whether it had originally underlaid that producer's lease or had migrated from adjoining properties. Hence there was intense competition between producers to get in early, drill up their acreage first, and produce as fast as possible. Wells were allowed to produce at their full capacity, and newly discovered properties often produced half of their entire ultimate production during the first year. It was a wasteful process, but it was then the law of the land. Estimates of reserves were based upon the average rate of decline of similar fields by the use of so-called "family decline curves," the best method then known but certainly far from accurate.

While controlled conservation was being established, much progress was also accomplished in improving the tools and knowledge of petroleum engineering. In the early Thirties the electric log and core analysis came into extensive service, providing a measurement of the porosity, permeability, water contact, and so on, of the sand. Scientific studies were carried out on the producing mechanism of the flow of liquids through sands, the effect of the expansibility of water, the supercompressibility of gas, retrograde condensation, the material balance calculation, and the effect and advantage of pressure maintenance and repressuring. These and other advances in the engineering of production not only led to increased recovery, but provided the basis for much more accurate judgment of the recovery to be expected under different conditions of production, and thereby greatly increased the reliability of the reports of petroleum engineers.

It took a long time for bankers to forget the old price gyrations and the overproduction of the early Thirties and to learn to appreciate oil and natural-gas reserves and production as security for loans. But, as the authority and effect of the state-commission orders slowly became recognized, the stability of producing property became more and more respected. The transition did not occur overnight nor by any single stroke of genius. It came through the concerted effort of statemanship of the industry and the state authorities, and their admirable cooperation in breaking new ground for the conservation of the resource and the stabilization of the business. At the same time the development of improved engineering techniques resulted in better estimates of recoverable reserves. These efforts have greatly improved the confidence accorded the producing industry by investors and lenders.

There has been a parallel improvement in the position of natural gas producing properties. The large natural-gas reserves of the country were found in the search for oil and became available as a secondary product to supply distant markets, but it took years of development in the art of transporting gas through longer and larger pipelines and a change-over from manufactured to natural gas in those distant cities. Thus the supply was developed much faster than the market, and many years were required for the increasing demand to catch up with the potential supply and induce prices in the field comparable with the competitive value of the resource. For example, in the mid-Thirties the gas reserves of the Panhandle-Hugoton field were enormous, but the demand from distant cities represented only a small portion of the potential production of the field. The price was then four cents per thousand cubic feet with many small sales at two cents. In the South Texas Gulf Coast, the extremely large reserves found very little interstate markets until 1944 (only 11 years ago). In the following decade long-distance gas pipelines were built to almost all areas of the United States. A practice of contracting for the sales of gas to these long pipelines has been established whereby the producer is assured of a minimum take at fixed prices, generally subject to future escalation. Thus, apart from the current legislative controversy as to regulation of gas prices for sales in interstate commerce by the Federal Power Commission, natural gas producing property has become highly regarded as security for loans to producers.

Since World War II the favorable effect of inflation upon the value of natural resources has been well recognized, with the result that oil and natural gas reserves are increasingly appreciated as a hedge against further inflation and as security for lending.

For many years our petroleum department has assembled and combined financial data for 30 large oil companies, representing about 60% of the net crude oil production and 85% of the refinery runs in the United States. Although these data by no means cover the entire industry, some measure of the trend of financing may be observed from the record in Table 1.

As the figures in Table 1 show, there were very few bank loans to the oil companies during the depression until the industry began to recover, and the stabilizing effects of proration and improved engineering became increasingly recognized. Although 20 years ago loans based on oil properties were limited to a year or 18 months, very gradually, as the oil business attained more stability, it became the practice to extend the term of production loans to three years, then five years and, in the case of exceedingly long-life properties, to 10 years by banks and longer by insurance companies. Old-time bankers, particularly in the big city banks far removed from the oil centers, had been in the habit of examining the applicants' past income and balance sheets. In the early days of developing the practice of term loans to oil producers, it was quite an experience to go before the loan committee with a request for a $10 million loan to be secured by property with a book value of $500,000. But, in judging such loans, the past earnings and book value mean little; the criteria to be considered are the value and the payout of the property offered as security, no matter what it cost. And, to accomplish this, there has sprung up throughout the country a profession of petroleum-valuation consultants, and some oil banks have organized oil departments staffed with petroleum engineers and technical men.

Types of Petroleum Loans

Loans to Major Companies—

The largest volume of financing in the petroleum industry is to the large companies of prime credit rating. Such lending warrants the lowest possible interest rates and requires little or no engineering technique.

TABLE I

Long-Term Debt of 30 Oil Cos.[1]

(In millions of dollars)

Dec. 31	Banks	Insur. Cos.	Public & Others	Total
1933__	1	0	870	871
1934__	9	26	732	767
1939__	48	202	775	1,025
1944__	145	153	734	1,032
1949__	802	934	868	2,604
1954__	554	1,148	1,556	3,258

1 Frederick G. Coqueron and Joseph E. Pogue, *Capital Formation in the Petroleum* Industry, The Chase National Bank, New York, N. Y., Feb. (1952).

Where a company plans an extensive expansion program for the construction of refineries, pipelines, or field development which will require capital funds of undetermined amount, it is practice to arrange a credit agreement by which the borrower has a call on money over, say, a 2-year standby period, during which the may draw down funds as needed, with the commitment by the bank that at the end of the standby period such borrowings can be converted to term loans. The borrower pays a standby charge at a modest rate on the unused portion of the commitment.

Production Loans—

Another important type of financing is to oil and natural gas producers. Such loans are generally secured by mortgage on the producing properties and the assignment of all or part of the production income, with a stipulated minimum monthly payment.

In determining how much money can safely be loaned on oil and natural gas producing properties, the first test is the valuation of the property—which we consider to be the fair market value, or what the property would sell for. The loan should not exceed a reasonable proportion of the value, an index referred to as the "loan ratio." Another yardstick is a forecast of the net cash revenues which the property will produce, by years, for the retirement of the loan. As a general rule, we feel that the estimated total future production of the property should be at least twice the amount needed to repay the loan with interest. In practice, the valuation of the property is found by discounting the estimated future net-cash production to present worth, so that the valuation and the forecast of future revenue tie together and each provides a check upon the other.

In our bank we practice a process of valuation described in the paper, "Valuation of Oil and Gas Producing Properties for Loan Purposes,"[2] presented before the American Institute of Mining and Metallurgical Engineers in February, 1953 by my associate, Kenneth E. Hill, and myself. During the past two or three years we have found values determined by the methods described in that paper to be closely comparable with prices actually paid in the case of several large sales of property; hence, we feel that this process has been validated by bona fide evidence of fair market value.

The evaluation of producing property depends primarily upon estimates by petroleum engineers of the oil reserves and the future decline in production. A prudent lender, knowing full well that before the loan is paid off, such estimates, at best, may prove to have been too high (or too low), will insist upon an ample factor of safety between the amount loaned and the estimated value of the property. Also, bank loans must be limited to a reasonable maturity because the commercial banks need to maintain an overall position of liquidity. Thus, in the usual case, a five-year bank loan may be considered a satisfactory term although, if the property securing the loan is of exceedingly long life, the term may be extended.

Because the banks must obtain deposits in order to make loans, it is customary in commercial banking for the borrower to maintain appropriate deposit balances with the lending bank. This possible disadvantage from the standpoint of the borrower is more than offset, we believe, by the flexibility available in bank financing, inasmuch as the oil banks are well prepared to quickly adjust, reduce, enlarge, or extend loans secured by oil properties, where circumstances warrant; and oil producers in the development stage frequently need to change their plans and financing requirements.

Oil-Payment Financing—

With the greatly increased income tax rates brought on by World War II, a special method of sale of oil and natural gas producing properties was developed involving the use of the oil and gas production payment, often termed "oil payment."

An oil payment represents the ownership of a specified portion of the production of a property, until the proceeds therefrom, free and clear of expenses, shall amount to a specified sum plus interest thereon at a stated rate.

There are usually three parties to the transfer of property by the oil-payment method: the purchaser of the property subject to the oil payment, the buyer of the oil payment, and the seller of the property.

(1) The purchaser of the property is obligated to operate and develop the property and will obtain possession of the entire production upon the retirement of the oil payment. In the meantime, the proceeds from that portion of production dedicated to the oil payment is not taxable income to the operator. He pays very little income tax during the term of the oil payment because it is so designed that his net after expenses will be just sufficient to provide for operation and development costs. The oil-payment method of buying property enables the purchaser to pay in cash only a small part of the total cost, and without incurring liability for the balance of the purchase price, which is provided by the oil payment. This is a distinct advantage over the method of financing the purchase of property by a straight production loan, for which the operator is liable.

(2) The buyer of the oil payment, in practice, borrows the entire face value at a slightly lower rate of interest than that stipulated for the oil payment. He pays no income tax on his share of the production income, except on the portion applied to interest, inasmuch as such revenue is returnable tax-free as depletion on cost. This privilege cannot be availed of in Canada where the tax laws do not allow depletion on cost.

(3) The seller, who receives cash payments simultaneously from the purchaser of the property and the buyer of the oil payment, is subject to capital gains tax of 25% on the excess of the sum of these payments over the cost of the property to him. An individual in a high tax bracket who owns developed property will often find it advantageous to sell out and realize at least 75% of the property's value at once rather than to continue to operate for many years and net the relatively small

2 Lyon F. Terry and Kenneth E. Hill, "Valuation of Producing Properties for Loan Purposes," *J. Petroleum Technol.* 5 [7] Sect. I (23-6), Sect. II (5) (1953).

portion of future earnings left after heavy personal taxes.

Because the joint purchasers will need to pay no income tax of consequence during the life of the oil payment, they can afford to pay a larger aggregate amount than an outright buyer who would be subject to income taxes from the outset. In the previously mentioned paper on valuation it was shown that the purchase price of a property can be as much as 20% higher through the use of the oil payment, and any property will support a larger oil payment loan than a straight production loan, inasmuch as the tax savings increase both the value of the property and the future revenue available for debt service.

There are many variations of the oil payment procedure. For example, some owners hesitate to relinquish their complete equity in a property, feeling that eventually the price of oil (and especially of gas) may rise or that additional reserves may be found. In such cases, the owner may sell the property, subject to a first oil payment which is simultaneously sold, and further subject to a second oil payment, subordinate to the first, and retained by the seller.

However, the use of the oil payment is not indicated in certain cases. Because the advantage is in minimizing income tax during the life of the oil payment, it will result in no savings in cases where the purchaser will be drilling extensively, thereby keeping out of income taxes. Moreover, where the purchaser needs the entire income from the property purchased in order to pay for further development, he cannot afford to dedicate a portion of the production to an oil payment.

A producer may also sell an oil payment while retaining the residual interest in his property. In this case, the consideration received is held to be the sale of future production, taxable not as capital gains but as current income in the year sold. When an operator, because of drilling expenditures or for other reasons, has deductible losses for a given year in excess of taxable income and is unable to carry forward the excess losses, it is advantageous to sell an oil payment. In effect, the operator is selling an interest in future income, but for tax purposes, the proceeds of sale immediately become ordinary income. In this way the operator is able to minimize his taxes over the long run by making use of all of his deductibles. However, there have been two lower-court decisions this year which, contrary to established practice, held that the proceeds of sale of such oil payments should be taxed as capital gains. Unquestionably these decisions will be tested in the courts.

When financing the purchase of an oil payment, the lender customarily is secured by a mortgage of the oil payment and by assignment of the income; and both the lender and the oil-payment owner must have assurance that the operator of the property is capable, reliable, and will properly operate and, if necessary, further develop the property until the oil payment is satisfied, regardless of how long that may take.

Gasoline Plants—

Natural gas processing plants extract natural gas liquids from the gas processed—often produced by others—and retain a percentage of the liquids produced as a fee. Motor fuels so produced compete with the products of the large petroleum refineries. This involves the hazard and expense of keeping up with the octane race. Wide fluctuations in the prices of liquefied petroleum gas produced also add to the risks of financing such plants. Loans are secured, seldom exceed five years, and interest rates are relatively high. Where the loan is a high proportion of plant value, a partial guarantee by the borrower's principal stockholders is sometimes required.

Refineries—

The smaller independent refineries face keen competition from the majors, characterized by fluctuations in product prices and the necessity for frequent plant improvement to compete with higher quality products. In addition to mortgage on the plant, loans are often secured partly by crude oil reserves, inventories, receivables, and the assignment of marketing contracts.

Pipelines—

Interstate oil and products pipelines are subject to a Federal limitation generally restricting dividends to 7% of valuation. Relatively long-term financing, frequently 10 or 15 years, is customary. Commercial banks finance up to 10-year maturities and often share such financing with insurance companies which take the later maturities. Loans are usually secured by mortgage and/or by throughput agreement, assuring revenues adequate for operating expenses and debt service. Where such agreements are with major companies, interest rates are relatively low.

Tanker Loans—

Tankers are often owned by independent operators who lease the vessels to major companies under bare-boat charter, with charter hire sufficient to amortize a loan secured by a preferred ship mortgage in, say, a 10-year period. The insurance carried and the charter provisions must be adequate, thereby warranting interest rates predicated on the credit of the major. Loans for construction of tankers are also made to or on the credit of a major with borrowings made progressively with construction, and to be converted to longer term loans upon completion of the vessels.

Service Stations—

Where a major oil company prefers to lease service-station properties, perhaps with an option to purchase, the assignment of its unconditional rental payment provides excellent collateral and calls for interest rates accorded such major. Maturities range from 10 to 20 years, and 10-year financing is readily handled by banks.

Future Financing

You are all familiar with the remarkable growth of our industry. Since the depression of the early Thirties, the consumption of petroleum products in this country has increased very nearly as a straight line at an average rate of 5.8% per year. During the past 10 years, domestic consumption rose from 4.86 million barrels per day in 1945 to an estimated 8.35 million in 1955, or 73%. It is interesting to note that, if the allied resource natural gas be included, the combined consumption on a Btu basis has almost doubled in the past 10 years.

In looking forward to the probable growth for as much as the next 10 years, many factors need be considered. These involve problems for the economists and need not be examined here. My associate, John G. Winger, of our petroleum economics group, expressed his opinion, before the petroleum branch of the American Institute of Mining and Metallurgical Engineers at New Orleans last month, that our domestic demand may increase approximately 50% by 1965.

The known reserves of crude oil in this country are about 13 times one year's production. Every barrel of oil produced must be replaced by a barrel of new reserves and this, together with the cost of finding and developing new reserves to support the increase in production, will require enormous new capital expenditures. For the 35 large oil companies included in the "Financial Analysis of the Petroleum Industry for 1954" by Frederick G. Coqueron, of our bank, the cost of finding and developing new reserves in the United States was equivalent to $1.76 per net barrel of crude oil produced in 1954. This unit cost has been increasing (from $1.22 in 1949) and, with rising cost levels and the increasing cost of finding new reserves, it will probably continue to go higher. At the same time the country's refineries, pipelines, shipping, marketing, and petrochemical facilities will also be improved and expanded. Thus it can reasonably be assumed, granted a steady growth of the whole economy, that the petroleum industry's capital expenditures in the United States of $5.7 billion in 1957 may reach or exceed $9 billion per year by 1965.

What part of these large capital outlays will be generated from earnings and what will need come from outside capital markets—the banks, the insurance companies, and the public? A key to this question may be found in the combined figures for 30 large oil companies assembled by our petroleum department for many years. These data show that those major companies generate a very large portion of their capital requirements out of earnings, with long-term debt averaging 13 to 15% of total capitalization. For the past 5 years the new funds obtained from net borrowings by these companies averaged 10.5% of their capital expenditures. These figures are for the 30 highly successful companies. The balance of the industry, including the thousands of smaller companies and independent operators, borrow higher percentages of their capital needs. Our experience is that many of the independents borrow as much as they possibly can. Hence, for the domestic industry as a whole, something in the order of 12 or 15% of capital expenditures has been derived from net borrowings; and, if this proportion should continue, the industry in the United States may increase its indebtedness by $1 billion or more per year by 1965.

As to the credit which will be available in the future from the banks to provide their share of these large funds required by the U. S. petroleum industry, you may judge from the record. During the rapid industrial expansion of the postwar period, the commercial banks of the country responded to the call by increasing their combined total loans from $26 billion at the end of 1945 to a present total of about $76 billion. For the same period, their total resources were increased from $160 billion to $200 billion today. Thus the banks expanded their resources sufficiently to provide the large increase in credit needed for the postwar industrial expansion; and, whatever the future requirements may be for financing industry, including the petroleum industry, the banking fraternity can be relied upon to be willing and able to grow fast enough to serve all proper banking needs.

It has been pointed out how the credit rating of the petroleum industry, particularly the producing business, has been greatly improved. The banks have increased their knowledge of the industry, the risks involved and not involved, and have learned how to appraise the situation—in short, how to lend. Several of the large banks have established petroleum departments staffed with competent engineers and other technical men from the petroleum industry, while a number of the smaller banks have retained a petroleum engineer. The banks have become more aggressive. Time was when the banker sat back behind his roll-top desk and waited for the customer to come in. It was up to the customer to take the initiative. But times have changed. Now the banker has become sales conscious. He understands the customers' problems better, and he goes after the business. This API convention is full of bankers. The competition between banks will be keen, which is all for the better from the standpoint of the oil companies. Thus you may be assured that the petroleum industry will have excellent service in the financing of its future capital requirements.

Dillon Read Offers Union of So. Africa External Loan Bds.

Dillon, Read & Co. Inc., as representative for an investment banking group, and the World Bank on Nov. 28 entered into agreements with the Union of South Africa whereby the Union is borrowing a total equivalent to $50,200,000. The transaction consists of $25,000,000 external loan bonds of Dec. 1, 1955 yesterday (Nov. 30) offered to the public by the investment banking group and a World Bank Loan of nine million pounds sterling (equivalent to $25,200,000). The bond issue is the first public offering of the Union of South Africa in the United States.

The proceeds of the bond issue and the World Bank loan will help finance the costs of the current expansion program being carried out by the South African Railways and Harbours Administration. Improved and expanded transport, particularly rail transport, is essential to meet the demand sof the Union growing economy.

Subject to final clearance by the Securities and Exchange Commission, the bonds will consist of: $3,000,000 of three-year 3⅞% bonds due Dec. 1, 1958 priced at 100%; $3,000,000 of four-year 4% bonds due Dec. 1, 1959 priced at 100%; $2,000,000 of five-year 4⅛% bonds due Dec. 1, 1960 priced at 100%; and $17,000,000 of ten-year 4¼% bonds due Dec. 1, 1965 priced at 98½%.

The bonds will not be redeemable, except in connection with the sinking fund for the ten-year bonds. The Union of South Africa will make semi-annual sinking fund payments (or will surrender bonds at their principal amount) sufficient to redeem on each June 1 and Dec. 1, commencing June 1, 1958, $1,062,000 principal amount of the ten-year bonds. Cash received for the sinking fund is to be applied to the redemption, by lot, of such bonds at 100% plus accrued interest.

At the option of the holder any payment of interest or principal on the bonds may, if unrestricted Swiss francs are available, be collected in Switzerland in Swiss francs, at the fixed rate of 4.30 Swiss francs per $1.

The £9,000,000 World Bank loan to the Union of South Africa being made concurrently with the bond issue is for a term of 10 years and bears interest of 4½%, including the 1% statutory commission charged by the Bank. Amortization will begin on July 1, 1958. The United Kingdom has released the pound sterling for this loan from its capital subscription to the Bank.

The purchase agreement between the underwriting group and the Union of South Africa was signed in New York City on Nov. 28 by Kingman Douglass, Vice-President of Dillon, Read & Co. Inc., on behalf of the underwriters and Dr. J. E. Holloway, South African Ambassador to the United States, on behalf of the Union Government. Eugene B. Black, President, signed the Loan Agreement on behalf of the World Bank and Dr. J. E. Holloway signed on behalf of the Union of South Africa.

Special Committee Urges Revision of NYSE Procedures

Keith Funston, President of the New York Stock Exchange, transmits to members the report of the Special Committee on Rules and Procedures, headed by Homer A. Vilas, Senior Partner of Cyrus J. Lawrence & Sons.

Keith Funston, President of the New York Stock Exchange, recently announced that the Board of Governors had transmitted to the membership an exhaustive survey of Exchange operations by a Special Committee appointed by him with the approval of the Board in August last year.

Chairman of the Special Review Committee on Rules and Procedures is Homer A. Vilas, Senior Partner in the Stock Exchange firm of Cyrus J. Lawrence & Sons.

"The Committee," Mr. Funston said, "was charged with the responsibility of reviewing the rules, policies and procedures of the Exchange and of recommending revisions and eliminations that would increase the effectiveness and productivity of members and member firms and enhance the services of the Exchange community to the public."

Highlights of the Committee's recommendations, which will be considered by the Board of Governors, include:

An educational program designed to help members, member firms, their representatives and their customers derive the maximum benefits from the broad market provided on the Exchange.

An increase to $1,000 from $500 in the minimum amount needed for opening a margin account.

Elimination of the reduced commission on round-turn transactions completed within 30 days, which was started experimentally about two years ago.

Leaving to the discretion of each firm the amount charged customers for postage and shipping in connection with forwarding securities — except that the customer should be charged when the amount involved is $1 or more.

Regular compilation of information regarding transactions in listed securities effected elsewhere than on the Exchange.

Consolidation of the stock clearing corporations of the New York Stock Exchange and the American Stock Exchange.

Continuation of the present ban on member firms splitting commissions with non-members.

No change in the present ban on part-time employment of registered representatives.

Extension to odd lot dealers of a charge similar to the Exchange's charge of 1% on commissions earned by members and member firms.

Development of a pilot operation by a group of member firms, banks and listed companies to determine the value of a central depository to handle the papers and certificates processed in the cashiers' and purchase and sales departments of member firms, lending banks and transfer agents.

In addition to Mr. Vilas, members of the Committee included:

Amyas Ames, of Kidder, Peabody & Co.; Clarence A. Bickel, of Robert W. Baird & Co.; James F. Burns, Jr., of Harris, Upham & Co.; Rowland H. George, of Wood, Struthers & Co.; W. Fenton Johnston, of Smith, Barney & Co.; James Crane Kellogg III, of Spear, Leeds & Kellogg; Michael W. McCarthy, of Merrill Lynch, Pierce, Fenner & Beane; Jerome W. Nammack, of Sprague & Nammack; Alexander R. Piper, of Paine, Webber, Jackson & Curtis; and Joseph M. Scribner, of Singer, Deane & Scribner.

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Oil and Gas Leases from an Insurance Company Viewpoint

in place' and 'qualified ownership' theories.[8] Under both theories the oil and gas rights can be severed from the surface estate and the 'rule of capture' is recognized."

A typical granting clause provides that the lessor, for stated considerations, grants, leases and exclusively lets unto lessee certain specifically described lands for the purpose of investigating, exploring, drilling and mining for and producing oil, gas, and all other minerals therefrom.

Mr. A. W. Walker, Jr., of Dallas, has said that in using the words "all other minerals" the lessee is attempting to establish his right to all commercial deposits of minerals discovered by him a reasonable distance below the surface by his drilling operations and that the objectionable features of this clause might be eliminated by adding the qualifying words "found at a depth of more than 100 feet (or some other agreed depth) below the surface."[9] Some lessees state that they are only attempting to include minerals such as sulphur and salt which might be in solution with the crude oil at the time of production and separable only at the refinery. If such is the intention, the lease might include a special clause that the only minerals in the contemplation of the parties are oil, gas "and other minerals in solution therewith." In a broad sense many inorganic substances are minerals. The lessee might have in mind potash, asphalt and coal, and in some of the states the parties might well consider whether uranium deposits are within the extent of the negotiations. Literally construed, the expression "all other minerals" may be broader than the lessor intended. Cases have arisen where substances as common as limestone, marble, sand, gravel, and even water, have sought to be declared minerals. Some lessors seek to strike the words "all other minerals" from the lease. The phrase has been mentioned here for the purpose of illustrating that some ambiguity exists and that the clause may favor the lessee as presently drawn.

A typical granting clause also gives the lessee certain rights incident to and necessary for producing and marketing, such as the right to lay pipelines, store oil, build tanks and power stations, and build roads and other structures on the leased premises. Some lease forms give the producer the right to build structures whether production is from the leased premises or *another* property.

It has also become customary for the granting clause to include language reading substantially as follows, to wit:

"Notwithstanding any particular description, it is nevertheless the intention of the lessor to include within this lease, and he does hereby lease, not only the land so described but also any and all other land owned or claimed by lessor in the herein named survey or surveys, or in adjoining surveys, and adjoining the herein described land up to the boundaries of the abutting landowners. For the purpose of calculating the rental payments hereinafter provided, said land is estimated to comprise ——— acres, whether it actually comprises more or less."

If the insurance company-lessor has an accurate survey, owns no other land in the immediate area, and is certain as to acreage and boundaries, the provision becomes unimportant, but is should be remembered that cash bonuses and delay rentals will have been computed upon the basis of the acreage specifically described in the lease, whereas the lease itself will cover more land, if such exists. The provision in question, usually referred to as the Mother Hubbard clause, is highly desirable from the standpoint of the oil operator. He wants to be certain that he has paid the correct amount of rent and he wants to acquire full rights respecting all land in the particular survey or adjoining surveys which the lessor owns; however, since the Mother Hubbard clause has many times proven advantageous to the lessee, it follows that from the lessor's standpoint, the clause merits careful thought and attention.

One of the lease forms reviewed provides that in the event a resurvey is made and additional lands are discovered that the lessee shall pay the lessor for such excess land at the same rent per acre as the cash considerations paid for the acreage described in the lease. Such a provision is more favorable to the lessor than that normally found.

One more point may be of interest. I doubt if it should be urged as standard leasing policy. We have seen a few leases which limit the lessee's right to explore and produce to wells which do not exceed some particular depth. The effect of the provision is to create a further severance at some agreed point below the surface of the land. Should a lessor execute a lease to the center of the earth if the producer only intends to drill to a depth of 5,000 feet? Why not limit the lease and make it effective as to the first 5,500 feet below the surface of the land? Several years ago our company had a small tract of land which was held under lease by shallow production. The producer wanted to drill much deeper to a sand containing a condensate not originally marketable. The producer, however, had to have additional land to meet the spacing requirements for the deeper well. Had all of our land in the immediate area been held by the original lease, we would have been bound thereby. Since it wasn't, we still had a trading position in connection with the new development. No lessor would have had a problem if the original leases had been effective only to the depth of the original production.

The Habendum or Term Clause

The present-day form of habendum or term clause is practically in universal use. This clause provides that the lease is for a definite term of years (usually called the "primary term"), and as long thereafter as oil and gas are produced from the leased premises. With the growth of pooling provisions, some habendum clauses provide for the continuation of the term of the lease, not only so long as oil and gas are produced from the land, but so long as it is produced from the land with which said land has been pooled. Pooling clauses will, however, be separately discussed.

In most of the lease forms reviewed, the primary term has been standardized at 10 years. The lessee, of course, desires as long a term as possible. Some lessors believe that the primary term should not exceed three years. Others bargain in most cases for a direct drilling obligation not exceeding a one-year term. The development of a leasing policy covering such matters involves many considerations and will be further discussed at the end of this paper.

Royalties

The usual royalty provision is $\frac{1}{8}$ of all of the oil produced and saved from the land and $\frac{1}{8}$ on all gas, including casing head gas, produced, sold and used. On other minerals the customary royalty is $\frac{1}{8}$ or 1/10, except that in the case of sulphur the usual royalty is $0.50 to $1 per long ton (2,240 pounds).

The producers have made a determined effort to preserve the $\frac{1}{8}$-$\frac{7}{8}$ distribution pattern. The lessee's interest ($\frac{7}{8}$) is usually called the working interest and the $\frac{1}{8}$ share payable to the lessor is described as royalty. I believe that there are many instances where the $\frac{1}{8}$-$\frac{7}{8}$ division gives the producer a very considerable advantage. The producers argue that they need these margins to cover their losses in connection with dry holes. From the lessee's side, it has been said that the $\frac{1}{8}$th royalty takes about $\frac{1}{2}$ of the profits in the average case and that this is about all that the operator can afford to pay. A separate paper could be written on this one point alone; I think, however, that it can be said factually that many inroads are being made on the usual $\frac{1}{8}$-$\frac{7}{8}$ distribution pattern. This is particularly true where the producer is drilling in or near an established field and knows what his cost pattern will be and what recoveries can be expected.

Some landowners will not execute a lease unless the royalty fraction is changed to 1/6 and 5/6. In a few instances the pattern has been even more favorable to the lessor. Usually, however, instead of changing the royalty fraction, the producer elects to give up a fraction of its working interest as an override. These overriding royalties might be 1/16 of $\frac{7}{8}$, 1/32 of $\frac{7}{8}$, 1/64 of $\frac{7}{8}$ or any other fraction upon which the parties agree. An example of an overriding royalty provision is as follows:

"Lessors except and reserve for themselves, in addition to their usual $\frac{1}{8}$ royalty, an additional $\frac{1}{8}$ of $\frac{7}{8}$ overriding royalty, of all oil, gas, casing head gas and other minerals produced of and from the above described land; said overriding royalty to be delivered to the lessors, at the pipeline or other vehicles in or through which any of said minerals so produced shall be marketed, free of expense to the lessors except taxes and governmental levies. It is understood that the above royalty and overriding royalty interest shall be in proportion as to the interest owned by landowners."

A shorter form is:

"In addition to the royalty herein provided for and subject to the proportionate reduction clause contained in paragraph ——— of this lease, it is understood and agreed that lessor reserves as an overriding royalty interest 1/16 of 8/8 of all oil and gas produced."

Some landowners, as the second quoted provision shows, are asking for an override out of 8/8 rather than $\frac{7}{8}$ of production. Historically the overriding royalty was payable out of the working interest only; it having been first used in transactions involving transfers of interest between lessees. It was never intended as a landowner's royalty.

In other instances, instead of giving an override, extra income to the lessor is expressed as an oil payment, i.e., a terminable interest payable out of production. As an example, the lessee might agree to pay to the lessor an extra $100 per acre out of a certain fraction of the oil and gas if, as and when produced.

The bargaining pattern respecting all of the items here discussed is much more comprehensive than the average landowner seems to realize, and the variations in trades are as limitless as the ingenuity and imaginativeness of the trading parties.

In the usual situation, the small individual landowner wants immediate cash income, and the producers have used cash bonuses as the incentive to get landowners to sign. Some people would like to receive most of the benefit from oil income during their lifetime. It seems to me, however, that in the case of an insurance company-lessor, the bargain might more often be for royalty, i.e., income payable over the *entire* lifetime of the lease, and that our clients should be as willing as the producer to sit by and wait out the period of total production under the lease with all of the resultant hazards.

Most royalty clauses provide a payment of $50 or $100 per year for a shut-in gas well. There are instances where this provision has worked to the particular advantage of the producer, and some of my friends in the oil country simply amend the lease form so that the royalty for a shut-in gas well is $1,000 per well per year. Just as $50 may sometimes be too low, $1,000 may be too high. Many lessors believe, however, that the lease should place the producer under some direct obligation to obtain a market and sell the gas, and that the payment of $50 per well per year is not always a sufficient incentive to the producer to change his position. In most instances, of course, the lessee is as anxious as the lessor to market the gas.

In recent years the royalties payable on gasoline and other secondary products have become increasingly important to the producer inasmuch as a wet gas stream may be run from the well containing gasoline which must be shaken out in a treating or processing plant. The producer would prefer to have the royalty computed on the wet gas stream and pay on it as gas rather than be forced to account for part of the higher priced products at the far end of the treating plant.

Some lease forms provide that the producer may use royalty free such facilities of the land as may be available for his operations; for example, he may use the gas to run his compressors and his heat treaters and may use the oil to oil his roads without having to pay royalty on these products.

Most leases provide that the royalty is payable on oil produced and saved. A lessor, on the other hand, might well require that the royalty be paid on all oil and gas produced, whether saved or not, thus placing on the lessee the burden of preserving all products produced and eliminating waste.

It is the custom in the oil and gas industry to purchase royalty oil by division order; and upon completion of a producing well, division orders are prepared and circulated among the royalty owners. These contracts sell the royalty oil and fix the price, time and manner of payment. As above indicated, many complicated questions can arise in regard to gas royalty. Mr. R. T. Wilkinson, Jr., has said:[10]

"Unlike oil royalties, gas royalties are usually payable in money rather than in kind. Because of so many different methods of handling gas and disposing of it, it has been found practically impossible to provide a printed form that is adequate for all situations."

One final thought respecting the royalty provisions of the lease; I wish that someone could develop a sliding scale clause which would allow the producer to maintain the $\frac{7}{8}$-$\frac{1}{8}$ distribution of income until such time as he had recovered his exploration and development costs but which would change it thereafter. If the particular lease is a very good one and the operating profit goes on and on into the future, the lessor may be entitled to a more favorable distribution of income than that of seven to one. It would be difficult, however, to make a sliding scale provision a part of a printed lease form.

Rentals

Under the usual clauses, the lease terminates if drilling operations are not commenced within one year unless the lessee shall pay or tender to the credit of lessor in an agreed bank the sum of $———, and during the entire primary term, the commencement of drilling operations may be further deferred for successive 12-month periods upon like rental payments or tenders. The depository bank becomes the lessor's agent. A fixed place to make the rental payments is essential to the oil industry and the standard provision is necessary where individual lives are concerned; however, the necessity for a depository bank largely fails where an insurance company-lessor is concerned. The insurance company's place of business will not be subject to change and it has perpetual existence, and we have found that most lessee's are perfectly willing to agree to make rental payments direct to the home office of the company.

The usual rental clause also provides that the lessee may at any time execute and deliver to the lessor or to the depository bank a release or releases covering any portion or portions of the leased premises and thereby surrender the lease as to such part of the land and be relieved of all obligations as to the acreage surrendered. The rentals are thereby proportionately reduced.

Pooling

Pooling provisions are being found in many of the modern lease forms. The clause gives the lessee the right to pool the leased land or any part of it with any other land. However, the combination of separately owned tracts in order to develop and operate them as under a single lease represents many problems. Some of these have been discussed by Mr. Ralph B. Shank in two articles appearing in the *Texas Law Review*.[11]

"When does pooling by the lessee have to take place? There is not time limit in the pooling clause. Suppose the lessee has drilled a well on the lessor's land — can the lessee subsequently pool the drilled lease with an undrilled lease, and thus reduce the lessor's royalty? . . .

"The lessee is granted the right to pool 'any part' of lessor's land with other land. How little of lessor's land can the lessee place in the pool and still maintain the lease in its entirety? The pooling clause provides that 'production on any part of the pooled acreage

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8 "A. W. Walker, Jr., 'Property Rights in Oil and Gas and Their Effect Upon Police Regulation of Production,' 16 *Tex. L. Rev.* 370 (1938)."

9 28 *Texas Law Review* 895, 900, "Defects in Oil and Gas Leases" (1950).

10 Note 7, supra. Articles referred to by Mr. Wilkinson include Jacques P. Adoue, "Royalty and Pooling Provisions in Oil, Gas and Mineral Leases," *Second Annual Institute on Oil and Gas Law and Taxation, Southwestern Legal Foundation*, p. 195 (1951); Joseph T. Sneed, "Value of Lessor's Share of Production Where Gas Only is Produced," 25 *Tex. L. Rev.* 641 (1947); Robert E. Hardwicke, "Evolution of Casinghead Gas Law," 8 *Tex. L. Rev.* 1 (1929).

11 "Some Legal Problems Presented by the Pooling Provisions of the Modern Oil and Gas Leases," 23 *Texas Law Review 150*. "Pooling *Problems*," 28 *Texas Law Review 662*.

shall be treated as if such production was from the land described in this lease.' If 'any part' means any part having a reasonable relationship to the part contributed to the pool by the other lessors, then will that reasonable relationship be on a surface acreage basis, or should sand thickness, porosity, etc. be considered? . . .

"Let us suppose that the lease allows the lessee to surrender a part of his leased premises. He has established a pooled area, and subsequently surrenders a part of the undrilled lease. Can the lessor under the surrendered lease claim royalty participation as if there had been no surrender? Why should he be allowed full participation since he has had returned to him a part of his lease? . . .

"What are the rights of the owner of an oil payment under a lease having a pooling clause? The common variety of oil payment reserves a percentage of the seven-eighths production from the lease until a stipulated sum of money has been realized. Can the lessee-operator avoid the oil payment by pooling the lease but drilling upon a tract within the pooled area not affected by the oil payment? . . .

"In addition to the above, nice problems arise involving the question whether the lessee under the pooling clause can pool oil or gas separately. If so, how is it to be determined whether a well is an oil well or a gas well? What are the rights of the parties where the gas rights are pooled and a well is drilled producing gas which subsequently turns into an oil well?

"Does the lessee under the pooling clause have the right to pool one or more producing horizons? If so, can the lessee unitize the lessor's lease as to a particular horizon with one lease, and pool another horizon of lessor's land with other and different leases?" 23 *Texas Law Review*, 150, 158, 159, 160, 162, 163.

Notwithstanding the problems which exist, it is my belief that the pooling of separately owned tracts of land will become more frequent as time goes on. However, from the standpoint of the lessor, I do not want to execute a lease which gives the lessee full control under pooling. If after the execution of the lease some pooling operation is deemed advisable, I believe that the particular situation then existing should be considered by both parties to the lease and a specific agreement executed. The general clauses which give the lessee unlimited control over pooling operations presently or in the future are in my opinion much too broad.

Unit Operations

The term unit operations involves the consolidation or merger of all of the interests in a particular pool or reservoir and the designation of one or more parties as the operator. The purpose of unit operations is to prevent unnecessary drilling, conserve reservoir energy and increase ultimate yield. Unit operations are many times used in secondary recovery operations. Secondary recovery plans almost always involve an entire field or a large part thereof and to a considerble degree surface boundaries must be ignored in working out the most efficient subsurface method of operation.

Unit operations are always carried out upon a voluntary basis and my own Company has executed unitization agreements in two rather large fields. The fairness of the plan depends to a considerable degree upon the quality of the work which has been done by the petroleum engineer. He must value each tract in the unit in its economic relationship to each of the others. I have been favorably impressed by the fine quality of the work done by the larger oil companies in the development of the unitization agreements which we have seen.

The unit operation of a major oil field is a far cry from the hasty and disorderly operations found in the early oil fields with the resultant immeasurable waste.[12]

Concluding Remarks

This discussion would be extended beyond reasonable limits if I were to attempt to cover clauses dealing with rights of assignment, warranty, notice of default, equipment recovery, proportionate reduction, the dry-hole provisions and clauses governing the remedies of the lessor for breach of the lessee's implied obligations. It is my hope that enough has been said to indicate that after these many years uncertainties and problems still exist in connection with many of the more standard and important lease provisions.

Many factors must be considered in the development of a comprehensive leasing policy, particularly where the corporate lessor may be dealing in several states. The first thing is to become familiar with local customs and practices. Next, it must be understood that no leasing policy can be inflexible. There is no right approach which can be used in all situations. In some instances it would be to the lessor's advantage to insist on early development of the land through drilling obligations, and the trade should be for royalty. In other situations the best trade is for bonuses. In a third case, the lessor might have been better off if no attempt had been made to develop the land and delay rentals had been paid indefinitely. General economic factors must also be taken into account such as the demand for crude oil and its price. All of these should affect leasing policy. In some instances drilling should be encouraged; in others, drilling might take place independently of any action taken by the particular lessor.

Just as the oil companies use scouts to bring in information, it is my belief that those of us representing the lessor should visit the oil fields, talk with other landowners, the local bankers, engineers, lease brokers and geologists. We should visit the offices of the major oil companies and talk with the independent operators in the field. It is in this manner that one acquires the knowledge that enables him to know whether the lease provisions need amendment and on what points a reasonable trade might be made.

In the early days of the oil business many operators prided themselves that their word was as good as their bond. They believed that the lease contract couldn't possibly cover all of the contingencies which might be involved. The Producers 88 lease had its origin out of that philosophy and background. It has been said that there are more implied covenants in connection with the modern oil and gas lease than any other business instrument.

I trust that no one will construe what has been said in this paper as being in any sense of the word critical of the oil and gas industry. To the contrary, I have a very high regard for the industry and the individual men with whom we have had contact. The oil companies, however, trade with the interest of the lessee in mind. With equal fairness, I believe that we should try to do as good a job for the lessor, and it is my hope that some of the material contained in this paper will be of help to you in approaching the leasing problem from the lessor's standpoint.

12 For an excellent article on unit operations, read "Some Legal and Economic Aspects of Unit Operations of Oil Fields," by Leslie Moses, 21 *Texas Law Review*, 748.

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Should We Trade With the Communist Governments?

end of the cold war." The reaction in America is swift and definite. Here is a sample of it in a letter to me by an old friend in Texas:

"With the recent approachment between the U. S. A. and the USSR, and the general softening up of the high Soviet officials towards other European countries, **it looks as if the cold war is coming to a close . . .**"

Nothing, of course, is farther from the truth. We have heard Khruschev confirm this when he told us that we might as well wait for the shrimp to whistle as to expect them to change their basic tenets. And what are those tenets? How are we to interpret the "softening up of the high Soviet officials," as my Texas friend wrote to me? I shall let Lenin and Stalin supply the answer.

"Of course to support one country against another would be a crime against Communism. The practical task of Communist policy is to . . . incite one against the other . . . use one country against the other . . . carrying on communist propaganda and take advantage of every hour granted it by circumstances in order to gain strength as rapidly as possible." (Vol. 17, pp. 386-37) Lenin.

And for those gullibles and simpletons who take seriously the soft words of a Khruschev and mistake the hyenic smiles of a former Chekist, Bulganin, for the sweetness of a year-old baby smile, the following simple and frank words by Joseph Stalin should suffice:

"Words must have no relation to action—otherwise what kind of diplomacy is it? **Good words are a mask for concealment of bad deeds.** Sincere diplomacy is no more possible than dry water or wooden iron."

This and much more is totally unknown to the new crop of Russian "experts" who are returning from the Soviet Union after a few days there. The Congressional junketeers, full-blown experts on Russia after drinking a few vodka toasts and speaking to a few of the Soviet officials whose hands are dripping with the blood of Russia's millions slaughtered in order to keep the Communist Party in power, are counselling greater trade and more delegation exchanges between free America and enslaved Soviet Union.

One can forgive 10-year-old children for not knowing that there is nothing new about visiting Soviet missions in this country. It may come as a complete surprise to those know-nothings or Rip Van Winkles who are falling for the fraudulent Soviet delegation exchange ballyhoo to learn that between 1920 and 1947 no less than 19,298 Soviet emissaries visited this country. Among them were agriculturists, educators, scientists, and mostly technicians. They all came here under one false pretense or another, mostly to buy our machinery and equipment. But every one of them had been briefed on how to conduct themselves, what to look for and how to obtain it. And with the aid of thousands of subversives right here as members of the Communist party or fellow-travellers, they got what they wanted without spending any more. At best they would buy samples of various pieces of our machinery and equipment, get the blueprints or shop drawings by hook or crook in order to manufacture the equipment in Russia in disregard of American patent rights. Now those machines are being sold all over the world in competition with the rightful patent owners.

The only difference between the Soviet missionaries prior to 1947 and today is that the former roamed the country at will, supplied with interpreters by the Soviet trading agency here, Amtorg, whereas today it has become the fashion for our best citizens to bow their heads and bend their knees to the representatives of the enemy camp.

Russian Recognition in 1933 A Mistake

Up to our lamentable recognition of the Soviet regime in 1933, the number of incoming Soviet spies was rather small. In 1933, for example, a total of 125 Soviet snoopers landed here. But the following year, 1934, 498 arrived, in 1935, 556 more came in. During the war years, 1943 to 1947, inclusive, a total of 8,687 Sovieteers came to our shores, rifled our laboratories and our factories, including some of the top secret information from our military establishments, including the atomic bomb, and not a single one of those Russians was ever arrested. Adams, the top spy of the Soviet Government, whose dangerous activities were well known to the FBI and who wanted to arrest him, returned to Russia with the loot because the goody-goody boys in the State Department trembled at the thought of displeasing Stalin.

Is it any wonder that the enemy has grown so strong and is menacing our very lives? But some of our people think that it is not enough. That we should hand over to the enemy some more economic and industrial assistance to make doubly sure that when the showdown does come, as come it must if the Soviet regime survives, it will be our enemy and not we who will be victorious.

We have been compromising with and appeasing Communism without end; we have been on the defensive for 38 years, and the net result is that we have lost one-third of the human race to Communist slavery.

If the rest of the world is not to be lost to the enemy of God and decency, there cannot and must not be any more compromising with the Communist evil by peoples professing the Christian faith. There can be no co-existence with the most barbaric force the world has ever known. There can never be lasting peace as long as the present Communist rulers in the Kremlin trod this earth. There will never be an end to the staggering taxes weighing us down until the enslaved behind the Iron Curtain are liberated. There can never be spiritual progress as long as men of the spirit are hob-nobbing with the murderers of untold millions of men, women and children, as long as men without courage, without honor, and without vision are ready to surrender to a barbarian force calling itself the government of Russia.

Trading with the enemy in times of war is a criminal offense —treason. The Soviet Government declared war against all non-Communist nations on Dec. 24, 1917—five weeks after coming to power. That war has been raging against us ever since, and it will never cease. It will be waged in different ways at different times to suit their expediency. If our masses of people keep this in mind it is to be hoped that their good common sense will lead them to the only conclusion possible: Not to deal with the enemy in any shape or form, under any circumstances; not to exchange delegations; not to visit their soil, and to stop being on the offensive; to cement a bond of friendship with the enslaved behind the Iron Curtain.

The Soviet Government is now bending all its efforts to persuade the free nations to help repatriate the Soviet escapees who have fled from Communist tyranny. There is a chance for us to show our true colors—by coming to the aid of the hundreds of thousands of Soviet escapees with all we can. **Not one of them should be permitted to fall into the Soviet trap.** The reason the Soviet Government wants them back is because they are a genuine threat to the security of the regime. But, as said before, what is good for the Kremlin is bad for the Russian people and also bad for us.

For the past five years there has been a little organization known as the American Friends of Russian Freedom, a voluntary organization headed by men like General Frank L. Howley, Admiral William H. Standley (former American Ambassador in Russia), Admiral Maxwell, General William Donovan (Wild Bill), and many others, including your humble servant. We have been ministering to the needs of the escapees. Now that the Soviet Government is spending millions of dollars trying to force their repatriation because they are the only living witnesses of Soviet barbarism and the threat it is to American survival, it must be thwarted in its attempts at all costs.

That should be our answer to the men who have become the voluntary hocksters of the Kremlin line—resume trading with the Soviet pirates and exchange delegations.

N.A.S.D. District 13 Elects Governors

At an election held in District No. 13 of the National Association of Securities Dealers, Inc.

Harold H. Cook, Spencer, Trask & Co., New York City, and Charles L. Bergmann, R. W. Pressprich & Co., New York City, were elected as members of the Board of Governors of the Association from District No. 13 to replace Allan C. DuBois, Wertheim & Company, New York, and Roy W. Doolittle, Doolittle & Co., Buffalo, N. Y. At the same time, W. Scott Cluett, Harriman Ripley & Co., Inc., New York City, Joseph Ludin, Dillon, Read & Co., Inc., New York City, Graham Jones, Cooley Co., Hartford, Conn., and Eugene G. Statter, Hoit, Rose & Co., New York City, were elected to serve on the District No. 13 Committee replacing Harold H. Cook, Spencer, Trask & Co., New York, Charles C. Glavin, The First Boston Corp., New York, Henry H. Hyde, Putnam & Co., Hartford, Conn.; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., whose terms of office will expire on Jan. 16, 1956.

Slayton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Arthur A. Hassenpflug, Jr. is now associated with Slayton & Company, Inc. of St. Louis.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Geo. N. Mullins is now with King Merritt & Co., Inc. In the past he was with Eisele & King, Libaire, Stout & Co.

With H. C. Wainwright

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Ezra J. Briggs is now connected with H. C. Wainwright & Co.

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The State of Trade and Industry

power than in any previous month, the Labor Department reported. It estimated after-tax earnings at $72.18 a week for a worker with three dependents and $59.84 for a worker with none, both up more than $5 from a year earlier. This gain—the result of higher hourly pay and a 1.3 hour stretch-out in the work week—was the heftiest October-to-October gain in the postwar period, the Bureau pointed out.

In the automotive industry scheduled car and truck output in domestic plants declined 15.6% last week due to the Thanksgiving holiday, but the daily rate of operations increased 5.5%, "Ward's Automotive Reports" stated.

"Ward's," in counting a decline to 174,322 car and truck completions from a near record 206,536 in the preceding week, said the daily rate of car building alone (averaged over a 5-day week) actually increased to 37,750 from 35,800 over the two weeks, a gain of 5.5%.

Thus reflected, the statistical agency said, is an increasing tempo of 1956 model output at American Motors Corp. and Studebaker-Packard Corp. plus increased use of Saturday work by some companies to recoup output losses suffered earlier in the month.

Scheduling Saturday operations last week were Chevrolet, Ford at all of its car producing plants, plus Buick, Cadillac, Plymouth, Studebaker and others. Meantime, Mercury did not program Friday assembly at two nor Saturday output at any of its four plants.

"Ward's" reported this week's car production was broken down as follows: 50.6% General Motors Corp., 26.0% Ford Motor Co., 19.1% Chrysler Corp., 1.8% American Motors Corp. and 2.5% Studebaker-Packard Corp., indicating the distribution of current output.

Underscoring the merchandising task facing the industry, United States plants are scheduling some 2,172,000 of the 1956 model cars for completion by Dec. 31, 1955.

The total, "Ward's" said, is 65% more than the 1,312,000 new 1955 models completed by the same time in 1954, the implication being that much of the glow may be worn off of 1956 car sales even by the time Jan. 1 rolls around.

The volume of building permits expanded slightly during October, reports Dun & Bradstreet, Inc. The estimated cost of permits in 217 cities (including New York) last month amounted to $487,413,821, an increase of 2.2% over the $477,025,801 for September, and a rise of 5.1% over the $463,728,026 for October a year ago.

Building plans filed in New York City during October came to $44,087,975. This was a drop of 24.2% from September's $58,177,460, but a gain of 43.3% over the $30,760,116 for October last year.

Steel Output Placed This Week at 99.2% of Capacity

Steel production continues its record-breaking pace. Producers have turned out more steel than in any year except record-breaking 1953. That record of 111,609,719 tons will be eclipsed at mid-December if current production continues. Output now totals 105,530,000 net tons of steel for ingots and castings, states "Steel," the weekly magazine of metalworking.

The heavy demand for steel is influencing consumers to make the most of government ratings, it notes. Producers are carefully scrutinizing all requests for rated tonnage.

Higher prices are cropping up here and abroad, "Steel" adds. Jones & Laughlin put a $6-to-$20-a-ton raise in price extras on junior beams and junior channels. Base prices on rail steel merchant bars were raised $2 a ton by three steel companies. Import prices on most major steel products from Western Europe are up $2 to $11 a ton. Imported steel plate is $50 a ton over the home product.

Steel producers in the week ended Nov. 27 maintained ingot operations at 99% of capacity for the third consecutive week.

"Steel's" price composite on finished steel remains at $128.14 a net ton. Marking the fourth consecutive week of rise, "Steel's" price composite on steelmaking scrap rose to $46.33 a gross ton—highest since January, 1951, the Korean War period. The latest increase was 66 cents a ton.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 99.2% of capacity for the week beginning Nov. 28, 1955, equivalent to 2,394,000 tons of ingot and steel for castings as compared with 100.1% of capacity and 2,416,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1955 is based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.

For the like week a month ago the rate was 99.4% and production 2,400,000 tons. A year ago the actual weekly production was placed at 1,941,000 tons or 81.4%. The operating rate is not comparable because capacity was lower than capacity in 1955. The percentage figures for 1954 are based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

Electric Output Recedes Slightly From All-Time High Record of Preceding Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 26, 1955, was estimated at 10,727,000,000 kwh., a moderate decline from the all-time record high point for the industry reached in the prior week, according to the Edison Electric Institute.

This week's output declined 422,000,000 kwh. below that of the previous week, when the actual output stood at 11,149,000,000 kwh.; it increased 1,640,000,000 kwh. or 18.0% above the comparable 1954 week and 2,589,000,000 kwh. over the like week in 1953.

Car Loadings Drop 3.1% Below Week Ago

Loadings of revenue freight for the week ended Nov. 19, 1955, decreased 24,984 cars or 3.1% below the preceding week, according to the Association of American Railroads.

Loadings for the week ended Nov. 19, 1955, totaled 771,648 cars, an increase of 74,302 cars, or 10.7% above the corresponding 1954 week, and an increase of 45,916 cars, or 6.3% above the corresponding week in 1953.

U. S. Automotive Output Declined 15.6% the Past Week Due to the Thanksgiving Holiday

Output in the automotive industry for the latest week ended Nov. 25, 1955, according to "Ward's Automotive Reports," declined 15.6% from the preceding week due to the Thanksgiving holiday.

Last week the industry assembled an estimated 151,470 cars, compared with 179,250 (revised) in the previous week. The past week's production total of cars and trucks amounted to 174,322 units, or a decrease of 32,214 units below the preceding week's output, states "Ward's."

Last week's car output fell below that of the previous week by 27,780 cars, and truck output by 4,434 vehicles during the week. In the corresponding week last year 111,916 cars and 18,486 trucks were assembled.

Last week the agency reported there were 22,852 trucks made in the United States. This compared with 27,286 in the previous week and 18,486 a year ago.

Canadian output last week was placed at 6,171 cars and 851 trucks. In the previous week Dominion plants built 6,109 cars and 823 trucks, and for the comparable 1954 week, 3,803 cars and 659 trucks.

Business Failures Ease in Holiday Week

Commercial and industrial failures dipped slightly to 205 in the holiday-shortened week ended Nov. 24 from 214 in the preceding week, Dun & Bradstreet, Inc., reports. Although failures were lower than in the similar week of last year when 226 occurred, they exceeded the 173 in 1953. Continuing below the prewar level, the toll was down 19% from the 252 in the comparable week of 1939.

Failures involving liabilities of $5,000 or more declined to 174 from 179 a week ago and 185 last year. Small failures with liabilities under $5,000 dipped to 31 from 35 in the preceding week and 41 in the corresponding week of 1954. Nineteen businesses failed with liabilities in excess of $100,000 as against 21 last week.

Wholesale Food Price Index Dips Mildly in Latest Week

There was a mild dip last week in the wholesale food price index which is compiled by Dun & Bradstreet, Inc. The Nov. 22 index turned down to $6.02 from $6.04 in the prior week and was two cents above the five-year low which was touched two weeks ago. The current index was down 12.1% from the figure of $6.85 at this time a year ago.

Higher in wholesale cost the past week were corn, rye, oats, butter, sugar, coffee, cocoa, beans, eggs, steers and lambs. On the down side were flour, wheat, barley, beef, hams, lard, cottonseed oil, potatoes and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Showed a Narrow Trend the Past Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fluctuated within a narrow range last week closing at 274.97 on Nov. 22. This was slightly above the 274.69 index of the prior week, but was noticeably below the 277.77 index of the comparable date last year.

Leading grain markets reported steady prices the past week as trading in most commodities was moderately active.

There was a fractional decline in the price of wheat and demand dropped somewhat. Dry weather has curtailed the wheat supply from Winter wheat sections of the West and Southwest and wheat prices from those areas have been boosted somewhat. Export deals have developed with Brazil and Israel for the sale of liberal quantities of surplus wheat. Corn advanced slightly a week ago as a result of a somewhat higher demand and an increase in government corn marketings. However, industry buyers were indifferent to accumulating additional supplies of corn. In soybean trading, farmers were selling sparingly, while processing interests had previously accumulated liberal supplies and were not affected by the past week's lessened supply.

Flour prices advanced in the week, while trading was routine and bookings dropped moderately. Buyers are reported waiting for a considerable drop in price. Bakers and jobbers decreased their orders during the week, as they had accumulated ample stocks in previous weeks. The Accra-grade quoted price in cocoa rose slightly and considerable trading activity developed. The majority of bookings were those of dealers.

Coffee remained at the level of the prior week, but was considerably below that of the corresponding period last year.

The political situation in Brazil had little influence on coffee trading this week. Shipments from Brazil for the week ended last Saturday were down to 292,000 bags compared to 337,000 in the previous week. Shipments to the United States totaled 137,000 bags, to Europe 112,000, and to all other destinations 43,000. Hog prices continued to fall last week and trading was active at the new low levels. Lard prices were steady, but moderately below those of the similar period a year ago.

There was a slight rise in cotton prices the past week, and the level was slightly above that of last year. An increase in demand was attributed to the belief of many buyers that the cotton supply may tighten by the middle of next year. Other buyers were uncertain as to the government selling policy to commence after the end of the year.

An official Government report issued on Friday reported 737,000 bales consumed by mills in the four week period ended Oct. 29. This compared with 875,000 consumed in the preceding five week period, and 707,000 in the corresponding four week period a year ago.

Exports continued to fall considerably behind those of last year. For the weekly period ended on Tuesday of last week, exports were estimated at 46,000 bales as against 44,000 the week previous and 74,000 in the same week last year.

Trade Volume Lifted Moderately the Past Week by Intensive Thanksgiving and Christmas Sales

Retailers reported an increase in consumer spending last week, as shoppers were stimulated by more intensive Thanksgiving and Christmas sales promotions.

The total dollar volume at retail was moderately above that of the similar period last year with retail stocks low in many gift and apparel lines.

The dollar volume of retail trade in the period ended on Wednesday of last week was 2 to 6% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1954 levels by the following percentages: New England and Pacific Coast 0 to +4; East +1 to +5; South and Northwest +3 to +7; Middle West +4 to +8 and Southwest +5 to +9%.

Apparel retailers reported increased volume in men's Winter clothing, with principal gains in overcoats and heavy suits. Interest in boys' Winter clothing advanced noticeably. There was an increased call for women's fur-trimmed cloth coats and Winter suits. Sweaters, knit dresses and woolen skirts increased in volume, while handbags, jewelry and gloves were popular accessories.

Consumers sought increased quantities of linens, towels and draperies the past week. Sales of bedroom suites and bedding boosted furniture volume to a level considerably above that of the preceding week.

There was a slight increase in wholesale orders the past week. Total volume was moderately above the level of the comparable week last year. Buyers continued to re-order Christmas merchandise, and interest in Spring apparel increased considerably.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 19, 1955, increased 6% above that of the like period of last year. In the preceding week, Nov. 12, 1955, an increase of 8% (revised) was reported. For the four weeks ended Nov. 19, 1955, an increase of 6% was recorded. For the period Jan. 1, 1955 to Nov. 19, 1955, a gain of 7% was registered above that of 1954.

Retail trade volume in New York City the past week kept pace with sales for the like period a year ago, notwithstanding the heavy volume of purchases stemming from John Wanamaker's going-out-of-business sales in 1954. Trade observers estimated that last week's sales would be 1 or 2% at most behind last year, and possibly equal to the year ago sales.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 19, 1955, declined 5% below that of the like period of last year. In the preceding week, Nov. 12, 1955, an increase of 6% (revised) was recorded. For the four weeks ending Nov. 19, 1955, no change occurred. For the period Jan. 1, 1955 to Nov. 19, 1955, the index recorded a rise of 1% from that of the corresponding period of 1954.

2 With Palmer, Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward L. Cooper and O. George Dillon have joined Palmer, Pollacchi & Co., 84 State Street.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David D. McNeish has become affiliated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 4	§99.2	*100.1	99.4	81.4
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 4	§2,394,000	*2,416,000	2,400,000	1,941,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 18	6,851,100	6,808,050	6,752,650	6,264,950
Crude runs to stills—daily average (bbls.)	Nov. 18	¶7,657,000	7,553,000	7,477,000	7,016,000
Gasoline output (bbls.)	Nov. 18	26,310,000	25,806,000	26,084,000	23,525,000
Kerosene output (bbls.)	Nov. 18	2,351,000	2,278,000	2,253,000	2,485,000
Distillate fuel oil output (bbls.)	Nov. 18	11,948,000	11,091,000	10,813,000	11,121,000
Residual fuel oil output (bbls.)	Nov. 18	8,242,000	7,825,000	7,717,000	8,027,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 18	153,580,000	152,084,000	151,536,000	147,224,000
Kerosene (bbls.) at	Nov. 18	35,144,000	35,762,000	36,844,000	36,155,000
Distillate fuel oil (bbls.) at	Nov. 18	148,661,000	150,606,000	149,886,000	135,353,000
Residual fuel oil (bbls.) at	Nov. 18	45,293,000	45,761,000	46,641,000	55,872,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 19	771,648	796,632	834,499	697,346
Revenue freight received from connections (no. of cars)	Nov. 19	662,109	681,992	699,051	611,782
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 24	$305,501,000	$401,695,000	$295,207,000	$254,172,000
Private construction	Nov. 24	216,313,000	307,848,000	177,470,000	164,510,000
Public construction	Nov. 24	89,188,000	93,847,000	117,737,000	89,662,000
State and municipal	Nov. 24	73,019,000	62,329,000	87,792,000	75,967,000
Federal	Nov. 24	16,169,000	31,518,000	29,945,000	13,695,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 19	10,200,000	*9,850,000	9,760,000	9,070,000
Pennsylvania anthracite (tons)	Nov. 19	575,000	565,000	489,000	625,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 19	142	*141	133	134
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 26	10,727,000	11,149,000	10,659,000	9,087,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 24	205	214	230	226
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 22	5.174c	5.174c	5.174c	4.797c
Pig iron (per gross ton)	Nov. 22	$59.09	$59.09	$59.09	$56.59
Scrap steel (per gross ton)	Nov. 22	$45.83	$45.17	$$44.50	$32.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 23	43.050c	43.025c	42.750c	29.700c
Export refinery at	Nov. 23	44.575c	43.625c	43.400c	31.525c
Straits tin (New York) at	Nov. 23	99.125c	98.375c	95.875c	91.000c
Lead (New York) at	Nov. 23	15.500c	15.500c	15.500c	15.000c
Lead (St. Louis) at	Nov. 23	15.300c	15.300c	15.300c	14.800c
Zinc (East St. Louis) at	Nov. 23	13.000c	13.000c	13.000c	11.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 29	94.80	94.93	95.98	99.00
Average corporate	Nov. 29	107.62	107.80	107.62	110.70
Aaa	Nov. 29	110.88	111.25	111.25	115.43
Aa	Nov. 29	109.42	109.60	109.60	112.37
A	Nov. 29	107.62	107.80	107.27	110.52
Baa	Nov. 29	102.63	102.63	102.63	105.00
Railroad Group	Nov. 29	106.04	106.21	106.04	109.06
Public Utilities Group	Nov. 29	107.80	107.98	107.98	111.25
Industrials Group	Nov. 29	108.88	109.06	108.88	112.00
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 29	2.89	2.88	3.80	2.57
Average corporate	Nov. 29	3.30	3.29	3.30	3.13
Aaa	Nov. 29	3.12	3.10	3.10	2.88
Aa	Nov. 29	3.20	3.19	3.19	3.04
A	Nov. 29	3.30	3.29	3.32	3.14
Baa	Nov. 29	3.59	3.59	3.59	3.45
Railroad Group	Nov. 29	3.39	3.38	3.39	3.22
Public Utilities Group	Nov. 29	3.29	3.28	3.28	3.10
Industrials Group	Nov. 29	3.23	3.22	3.23	3.06
MOODY'S COMMODITY INDEX	Nov. 29	402.6	398.4	402.3	410.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 19	214,122	249,427	240,944	214,944
Production (tons)	Nov. 19	294,652	295,930	292,172	257,148
Percentage of activity	Nov. 19	104	102	102	94
Unfilled orders (tons) at end of period	Nov. 19	599,443	680,461	598,836	389,624
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 25	106.98	107.06	106.79	106.43
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Nov. 5	1,033,314	991,607	1,167,614	977,420
Dollar value	Nov. 5	$56,370,657	$51,206,914	$61,502,506	$47,336,781
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 5	838,716	784,328	945,199	918,562
Customers' short sales	Nov. 5	7,015	4,793	5,967	10,158
Customers' other sales	Nov. 5	831,701	779,535	939,232	908,404
Dollar value	Nov. 5	$42,741,072	$38,548,591	$50,456,939	$41,411,831
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 5	213,900	208,600	217,180	255,970
Short sales	Nov. 5	------	------	------	------
Other sales	Nov. 5	213,900	208,600	217,180	255,970
Round-lot purchases by dealers—					
Number of shares	Nov. 5	429,190	409,290	472,810	361,530
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Nov. 5	408,140	407,330	429,900	540,980
Other sales	Nov. 5	9,907,610	9,217,160	10,734,290	10,390,490
Total sales	Nov. 5	10,315,750	9,624,490	11,164,190	10,940,470
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 5	1,253,670	1,181,490	1,573,220	1,384,260
Short sales	Nov. 5	194,280	209,440	224,820	300,030
Other sales	Nov. 5	1,038,600	986,770	1,413,680	1,122,600
Total sales	Nov. 5	1,232,880	1,196,210	1,638,500	1,422,630
Other transactions initiated on the floor—					
Total purchases	Nov. 5	286,960	248,900	299,370	307,630
Short sales	Nov. 5	22,200	20,300	24,200	31,800
Other sales	Nov. 5	235,570	256,440	321,160	274,960
Total sales	Nov. 5	257,770	276,740	345,360	306,760
Other transactions initiated off the floor—					
Total purchases	Nov. 5	480,840	442,334	504,134	405,385
Short sales	Nov. 5	78,680	54,650	65,920	62,710
Other sales	Nov. 5	500,950	435,947	505,407	401,010
Total sales	Nov. 5	579,630	490,597	571,327	463,728
Total round-lot transactions for account of members—					
Total purchases	Nov. 5	2,021,470	1,872,724	2,376,724	2,097,275
Short sales	Nov. 5	295,160	284,390	314,940	394,540
Other sales	Nov. 5	1,775,120	1,679,157	2,240,247	1,798,578
Total sales	Nov. 5	2,070,280	1,963,547	2,555,187	2,193,118
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 22	111.1	111.1	111.1	109.5
Farm products	Nov. 22	84.6	84.3	86.5	91.9
Processed foods	Nov. 22	98.4	*98.8	98.9	103.2
Meats	Nov. 22	73.1	74.5	77.4	84.1
All commodities other than farm and foods	Nov. 22	119.2	*119.2	118.7	114.5

*Revised figure. ¶Includes 789,000 barrels of foreign crude runs. §Based on new annual capacity of 125,828,310 tons as of Jan. 1, 1955, as against Jan. 1, 1954 basis of 124,330,410 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31:			
Imports	$257,806,000	$253,363,000	$207,286,000
Exports	201,162,000	189,329,000	148,286,000
Domestic shipments	10,195,000	8,951,000	11,575,000
Domestic warehouse credits	71,744,000	99,261,000	192,959,000
Dollar exchange	33,250,000	32,820,000	71,829,000
Based on goods stored and shipped between foreign countries	87,470,000	86,976,000	55,317,000
Total	$661,627,000	$670,700,000	$687,252,000
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	180	168	189
Wholesale number	85	99	91
Retail number	437	366	414
Construction number	136	114	109
Commercial service number	81	75	68
Total number	919	822	871
Manufacturers' liabilities	$10,407,000	$10,798,000	$7,547,000
Wholesale liabilities	2,416,000	7,147,000	2,923,000
Retail liabilities	9,586,000	8,253,000	11,645,000
Construction liabilities	8,713,000	4,256,000	4,733,000
Commercial service liabilities	3,655,000	2,666,000	1,952,000
Total liabilities	$34,777,000	$33,120,000	$29,000,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	10,698	11,024	9,852
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31 (000's omitted)	$547,000	$564,000	$762,000
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—Crop reported as of Nov. 1 (in thousands):			
Corn, all (bushels)	3,182,870	3,117,739	2,964,639
Wheat, all (bushels)	915,528	915,528	969,781
Winter (bushels)	689,403	689,403	790,737
All spring (bushels)	226,125	226,125	179,044
Durum (bushels)	14,379	14,379	5,557
Other spring (bushels)	211,746	211,746	173,437
Oats (bushels)	1,636,030	1,636,030	1,499,579
Barley (bushels)	386,551	386,551	370,126
Rye (bushels)	28,448	28,448	23,688
Flaxseed (bushels)	42,985	42,985	41,534
Rice (100-lb. bag)	52,446	50,233	58,853
Sorghum grain (bushels)	226,599	228,695	204,087
Cotton (bales)	14,843	13,928	13,696
Hay, all (tons)	109,908	109,908	104,380
Hay, wild (tons)	9,939	9,839	10,184
Hay, alfalfa (tons)	52,703	52,703	49,328
Hay, clover and timothy (tons)	26,731	26,731	27,579
Hay, lespedeza (tons)	4,875	4,875	3,052
Beans, dry edible (100-lb. bags)	19,094	18,954	18,899
Peas, dry field (100-lb. bags)	2,833	2,833	3,484
Soybeans for beans (bushels)	371,898	374,816	342,795
Peanuts (pounds)	1,738,725	1,749,825	1,023,070
Potatoes (bushels)	383,771	387,334	356,031
Sweetpotatoes (bushels)	36,101	35,593	29,880
Tobacco (pounds)	2,277,709	2,308,028	2,236,408
Sugarcane for sugar and seed (tons)	7,056	7,056	7,481
Sugar beets (tons)	12,474	12,176	14,091
Hops (pounds)	37,108	37,108	43,363
Apples, commercial crop (bushels)	104,813	107,323	109,512
Peaches (bushels)	50,539	50,539	61,316
Pears (bushels)	30,143	30,363	30,434
Grapes (tons)	3,133	[illegible]	[illegible]
Cherries (12 States) (tons)	270	270	206
Apricots (3 States) (tons)	258	258	155
Cranberries (5 States) (barrels)	1,049	1,069	1,018
Pecans (pounds)	91,550	89,800	90,510
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of October:			
Weekly Earnings—			
All manufacturing	$78.69	*$77.71	$72.22
Durable goods	84.86	*84.25	77.97
Nondurable goods	69.66	*69.14	65.07
Hours—			
All manufacturing	41.2	*40.9	39.9
Durable goods	41.6	*41.5	40.4
Nondurable goods	40.5	*40.2	39.2
Hourly Earnings—			
All manufacturing	$1.91	$1.90	$1.81
Durable goods	2.04	2.03	1.93
Nondurable goods	1.72	*1.72	1.66
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49=100—Month of October:			
Seasonally adjusted	142	*142	126
Unadjusted	146	*142	130
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$180,095,000	$199,661,000	$168,679,000
Matured endowments	44,423,000	48,500,000	39,154,000
Disability payments	8,674,000	9,062,000	8,662,000
Annuity payments	38,327,000	36,983,000	35,608,000
Surrender values	67,737,000	76,312,000	67,885,000
Policy dividends	81,935,000	71,605,000	74,131,000
Total	$421,191,000	$442,123,000	$394,119,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of October	£11,190,000	£41,756,000	£18,426,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of August:			
Net railway operating income	109,723,192	92,612,113	84,122,314
Other income	19,963,513	18,151,066	19,656,414
Total income	129,686,705	110,763,179	103,778,728
Miscellaneous deduction from income	4,308,650	3,542,598	3,543,270
Income available for fixed charges	125,378,055	107,220,581	100,235,458
Income after fixed charges	93,786,873	75,602,980	68,512,932
Other deductions	3,177,915	3,211,647	2,979,538
Net income	90,608,958	72,391,333	65,533,394
Depreciation (way & structure & equipment)	44,670,450	44,605,748	44,212,918
Federal income taxes	48,512,325	33,998,037	19,998,880
Dividend appropriations:			
On common stock	29,344,107	21,150,309	21,871,146
On preferred stock	4,537,038	785,135	4,536,959
Ratio of income to fixed charges	3.97	3.39	3.16
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of October:			
Net sales	$30,687,000	------	------
Net purchases	------	$11,820,500	$21,050,400

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Advance Publishing Corp., Great Barrington, Mass.
Nov. 22 (letter of notification) 50,000 shares of class A common stock (par $1); 10,000 shares of class B common stock (par $1); and 5,000 shares of 7% cumulative preferred stock (par $5). **Price**—At par. **Proceeds**—For operating capital. **Underwriter**—None.

Allied-Mission Oil, Inc., Tulsa, Okla.
Oct. 3 (letter of notification) 598,800 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For acquisition, exploration, drilling and development of leases. **Address**—P. O. Box 1387, Tulsa, Okla. **Underwriter**—United Securities Co., same address.

★ Aloe Creme Laboratories, Inc.
Nov. 21 (letter of notification) 65,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For working capital. **Office**—801 N. W. 7th Ave., Fort Lauderdale, Fla. **Underwriter**—None.

Aloha, Inc., Las Vegas, Nev.
Aug. 8 filed 900,000 shares of common stock (par $1) and 900,000 shares of preferred stock (par $10) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds**—For construction of hotel and related activities and for contingencies, stock in trade, and working capital. **Underwriter**—None.

Alpha Plastics Corp. (12/5)
Nov. 18 (letter of notification) 300,000 shares of class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—$90,000 to redeem the preferred stock; $18,100 to be payable to stockholders for advances heretofore made to company; for payment of current obligations, etc.; and for working capital. **Office**—94-30 166th St., Jamaica, N. Y. **Underwriter**—J. E. DesRosiers, Inc., New York.

★ American Bankers Insurance Co. of Florida
Nov. 22 (letter of notification) 21,000 shares of class A voting stock (par $2.50). **Price**—$14.25 per share. **Proceeds**—For working capital and expansion. **Office**—343 N. E. Second Ave., Maimi, Fla. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Atwill & Co., Miami Beach, Fla.

American Greetings Corp. (12/5-9)
Nov. 14 filed 200,000 shares of class a common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including construction. **Underwriter**—McDonald & Co., Cleveland, Ohio.

★ American Institute of Engineers & Contractors, Ltd.
Nov. 21 (letter of notification) 100,000 shares of 8% cumulative non-voting callable preferred stock. **Price**—At par (50 cents per share). **Proceeds**—For working capital. **Office**—Suite 1108, National Press Bldg., Washington, D. C. **Underwriter**—None.

Arizona Public Finance Co., Phoenix, Ariz.
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

Assateague Island Bridge Corp. (Md.)
Oct. 7 filed 100,000 shares of 5% cumulative preferred stock to be offered primarily to members of the Ocean Beach Club, Inc. **Price**—At par ($10 per share). **Proceeds**—For construction of bridge across Sinepuxent Bay from the Worcester County (Md.) mainland to Assateague Island. **Office**—Washington, D. C. **Underwriter**—None.

Atlanta Gas Light Co. (12/7)
Nov. 15 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Stone & Webster Securities Corp.; Shields & Co.; Equitable Securities Corp. and Union Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Dec. 7 at 90 Broad St., New York, N. Y.

Atlas Industries, Inc., Houston, Texas
Oct. 10 (letter of notification) 200,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase dies and materials and for working capital, etc. **Office** — 6006 Harvey Wilson Drive, Houston, Texas. **Underwriter** — Benjamin & Co., Houston, Texas.

THE FIRST BOSTON CORPORATION

Corporate and Public Financing

NEW YORK BOSTON PITTSBURGH CHICAGO
PHILADELPHIA SAN FRANCISCO CLEVELAND

Private Wires to all offices

Atlas Plywood Corp., Boston, Mass.
Nov. 14 filed 100,000 shares of common stock (par $1) to be offered in exchange for the outstanding 291,431 shares of common stock of Plywood, Inc. at an exchange ratio to be determined later. Atlas presently owns 496,680 shares of Plywood, Inc. stock and desires to acquire at least an additional 133,809 shares in order to bring its holdings of such stock to 80%.

Automatic Tool Corp.
Sept. 7 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To set up a factory and purchase equipment and machinery for manufacture and sale of the "grip-lock" driver and screw. **Office**—137 Grand St., New York, N. Y. **Underwriter**—Ellis-Greenberg Co., 1051 Carroll St., Brooklyn, N. Y.

Big Chief Uranium Co., Pueblo, Colo.
Sept. 20 (letter of notification) 1,500,000 shares of non-assessable common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — 441 Thatcher Bldg., Pueblo, Colo. **Underwriter**—Investment Service Co., Denver, Colo.

Big Ridge Uranium Corp., Reno, Nev.
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

Big Ute Uranium Corp., Overton, Nev.
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

Blackhawk Fire & Casualty Insurance Co.
Oct. 28 filed 200,000 shares of common stock (par $2.50), of which 170,527 shares are to be publicly offered at $5 per share, and 29,473 shares are to be purchased by Town and Country Insurance Agency, Inc. at $4.50 per share. **Proceeds**—To acquire through merger the Blackhawk Mutual Insurance Co. **Office**—Rockford, Ill. **Underwriter** — Arthur M. Krensky & Co., Inc., Chicago, Ill.

Bonus Uranium, Inc., Denver, Colo.
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

★ Bostwick Uranium, Inc., Salt Lake City, Utah
Nov. 22 (letter of notification) $25,000 of membership certificates. **Proceeds** — To explore and drill uranium properties. **Office**—671 So. Second East, Salt Lake City, Utah. **Underwriter**—None.

★ B-Thrifty, Inc., Miami, Fla.
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business** — Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None.

Canuba Manganese Mines, Ltd.
Oct. 27 filed 500,000 shares of capital stock (par $1-Canadian). **Price**—$1.50 per share. **Proceeds**—For exploration of mining properties in Cuba. **Office**—Toronto, Canada. **Underwriter** — Baruch Brothers & Co., Inc., New York.

• Caribou Ranch Corp., Denver, Colo.
July 15 filed 505,000 shares of common stock (par $1.) **Price**—$4 per share. **Proceeds**—For acquisition of property and equipment, construction of additional facilities, etc. **Underwriter**—To be named.

Carolina Casualty Insurance Co., Burlington, N. C.
Nov. 2 (letter of notification) 30,000 shares of class B common stock (par $1) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For working capital, etc. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—None.

• Cascade Natural Gas Corp. (12/9)
Nov. 18 filed $3,589,450 of 5½% interim notes, due Oct. 31, 1960, and 71,789 shares of common stock (par $1), to be offered first to common stockholders of record Dec. 6 in units of $50 of notes and one share of stock; rights to expire on Dec. 16. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to repay bank loan and for new construction. **Underwriters**—White, Weld & Co., New York; First California Co., San Francisco, Calif., and Blanchett, Hinton & Jones, Inc., Seattle, Wash.

Century Acceptance Corp., Kansas City, Mo.
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill.

• Century Engineers, Inc. (12/5-9)
Nov. 4 filed 74,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For expansion of subsidiary and working capital. **Office**—Burbank, Calif. **Underwriter**—Morgan & Co., Los Angeles, Calif. and S. D. Fuller & Co., New York.

Chaffin Uranium Corp., Salt Lake City, Utah
Sept. 6 (letter of notification) 12,500,000 shares of non-assessable capital stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—810 Deseret Building, Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same City.

Channel Oil Co., Las Vegas, Nev.
Oct. 18 filed (by amendment) 435,000 shares of $1.20 cumulative preferred stock (callable at $20 per share) and 870,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred stock and two shares of common stock. **Price**—$20.20 per unit. **Proceeds** — For production of production payments. **Underwriters**—First California Co., Inc., San Francisco, Calif.; and Blair & Co., Incorporated, New York. **Change of Name**—Formerly Continental Production Corp. (see below). **Offering**—Indefinitely postponed.

Charge Buying Service, Inc.
Oct. 17 (letter of notification) 300,000 shares of class A common stock (par 25 cents) and 60,000 class warrants to be offered in units of five shares of class A stock and one warrant (warrant holders will be entitled to purchase one class A share at 62½ cents per share). **Price**—$2.50 per unit. **Proceeds**—For working capital and to meet current expansion and liquidate notes and liabilities. **Office**—522 Felt Bldg., Salt Lake City, Utah. **Underwriter**—Cayias, Larson, Glaser & Emery, Inc., same city.

Charleston Parking Service, Inc.
Aug. 1 (letter of notification) 120,000 shares of non-voting common stock, class A—(par 50 cents) and 60,000 shares of voting common stock, class B (par 10 cents) to be offered in units of two class A and one class B share. **Price**—$5 per unit. **Proceeds**—For general working capital. **Office**—505 National Bank of Commerce Building, Charleston, W. Va. **Underwriter**—Crichton Investment Co., same address.

Cisco Uranium Corp., Salt Lake City, Utah
Aug. 10 (letter of notification) 7,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses, etc. **Office**—2630 South 2nd West, Salt Lake City, Utah. **Underwriter**—Denver Securities, Inc., Denver, Colo.

Citizens Credit Corp., Washington, D. C.
Sept. 27 (letter of notification) $245,000 of 6% subordinated debentures due 1975 (with warrants to purchase 2,450 shares of class A common and 490 shares of class B common stock). **Price**—99%. **Proceeds**—To supply capital to subsidiaries. **Office**—1028 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—Emory S. Warren & Co., same address.

• Clad-Rex Steel Co., Denver, Colo. (12/5)
Aug. 24 filed 400,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay short-term obligations, etc. and for working capital. **Underwriter** — Mountain States Securities Co., Denver, Colo.; and Joseph McManus & Co., New York, N. Y.

Cole Engineering Corp.
Nov. 9 (letter of notification) 2,575 shares of common stock. **Price**—$10 per share. **Proceeds**—For new machinery, etc. **Underwriter**—Spencer, Zimmerman & Co., Inc., Columbus, Ga.

Colohoma Uranium, Inc. (12/15)
Nov. 9 filed 2,500,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Office**—Montrose, Colo. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo.

Columbus & Southern Ohio Electric Co. (12/6)
Nov. 15 filed 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Dillon, Read & Co. Inc., New York; and The Ohio Company, Columbus, Ohio.

Comet Uranium Corp., Washington, D. C.
Aug. 20 (letter of notification) 700,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining operations. **Office**—501 Perpetual Bldg., Washington 4, D. C. **Underwriters**—Mid America Securities, Inc., Salt Lake City, Utah; and Seaboard Securities Corp., Washington, D. C.

Connecticut Light & Power Co. (12/8)
Nov. 18 filed $20,000,000 of first and refunding mortgage 3¼% bonds, series N. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Putnam & Co., Hartford, Conn.; Chas W. Scranton & Co., New Haven, Conn., and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc. (12/6)
Nov. 9 filed $70,000,000 of first and refunding mortgage bonds, series K, due Dec. 1, 1985. **Proceeds**—To repay $65,000,000 bank loans and for additions to utility plant. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Dec. 6.

★ Construction Products Sales, Los Angeles, Calif.
Nov. 21 (letter of notification) 12,000 shares of class A 6% cumulative convertible preferred stock (par $20) and 60,000 shares of class A common stock (par $1) to be offered in units of one preferred and five common shares. **Price** — $25 per unit. **Proceeds** — For working capital. **Office**—4043 Goodwin Ave., Los Angeles 39, Calif. **Underwriter**—None.

Consumer Acceptance Corp.
Nov. 10 (letter of notification) $299,000 of 6% debentures, series A, due Oct. 1, 1973 (with stock purchase warrants attached). **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—For purpose of making loans and for other general corporate purposes. **Office**—904 Hospital St., Providence, R. I. **Underwriters**—Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y., and Draper, Sears & Co. and Chace, Whiteside, West & Winslow, Inc., both of Boston, Mass.

Consumers Cooperative Association
Nov. 8 filed 140,000 shares of 5½% preferred stock; 10,000 shares of 4% second preferred stock; and 4,000 shares of 2% third preferred stock to be sold directly to members of the Association. **Price**—At par ($25 per share). **Proceeds** — For general corporate purposes, including cash requirements necessary to meet requests for redemption ahead of maturity on outstanding certificates of indebtedness and 5½% preferred stock and to finance accounts receivable; also to improve existing facilities. **Underwriter** — None; stock sales to be made through Association's employees. **Office**—Kansas City, Mo.

Continental Production Corp.
Aug. 29 filed $8,700,000 of 15-year 5½% income debentures due Sept. 1, 1970 and 870,000 shares of common stock (par 10 cents) to be offered in units of $50 of debentures and five shares of stock. **Price**—$50.50 per unit. **Proceeds**—For acquisition of production payments. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., Inc., San Francisco, Calif. **Statement Amended and Name Changed**—See Channel Oil Co. above.

Cook Industries, Inc., Dallas, Texas
Aug. 1 (letter of notification) 199,999 shares of common stock (par $1), of which 107,915 shares are to be sold by company and 92,084 shares by a selling stockholder. **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Central Securities Co., Dallas, Texas.

Corpus Christi Refining Co.
Sept. 2 filed 500,000 shares of common stock (par 10 cents). **Price**—At the market. **Proceeds**—To a selling stockholder. **Office**—Corpus Christi, Texas. **Underwriter**—None.

Credit Finance Corp., La Grange, Ga.
Oct. 28 (letter of notification) 148,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For working capital. **Office**—Mallory-Hutchinson Bldg., La Grange, Ga. **Underwriter**—Franklin Securities Co., Atlanta, Ga.

Cross-Bow Uranium Corp.
Aug. 29 (letter of notification) 5,000,000 shares of common stock. **Price**—At par (six cents per share). **Proceeds** — For mining operations. **Office** — 1026 Kearns Bldg., Salt Lake City, Utah. **Underwriters**—Potter Investment Co., and Mid-America Securities, both of Salt Lake City, Utah.

Cuba (Republic of)
Nov. 21 filed $2,000,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

NEW ISSUE CALENDAR

December 1 (Thursday)
Baltimore & Ohio RR. --- **Equip. Trust Ctfs.**
(Bids noon EST) $3,000,000

December 2 (Friday)
Richmond Homes, Inc. --- **Common**
(Cruttenden & Co.) $700,000

December 5 (Monday)
Alpha Plastics Corp. --- **Class A**
(J. E. Des Rosiers, Inc.) $300,000
American Greetings Corp. --- **Class A Common**
(McDonald & Co.) 200,000 shares
Century Engineers, Inc. --- **Common**
(Morgan & Co. and S. D. Fuller & Co.) 74,000 shares
Clad-Rex Steel Co. --- **Common**
(Mountain States Securities Co. and Joseph McManus & Co.) $500,000
LeCuno Oil Corp. --- **Common**
(Eastman, Dillon & Co. and First California Co., Inc.) $4,050,000
Pacific Employees Insurance Co. --- **Common**
(Blyth & Co., Inc.) 94,700 shares
Puerto Rican Jai Alai, Inc. --- **Common**
(F. H. Crerie & Co., Inc.) $1,875,000
U. S. Automatic Machinery & Chemical Corp. --- **Class A Common**
(Columbia Securities Corp.) $300,000

December 6 (Tuesday)
Chicago, Milwaukee, St. Paul & Pacific RR. --- **Equip. Trust Ctfs.**
(Bids noon CST) $7,500,000
Columbus & Southern Ohio Electric Co. --- **Common**
(Dillon, Read & Co. Inc. and The Ohio Co.) 250,000 shares
Consolidated Edison Co. of New York --- **Bonds**
(Bids 11 a.m. EST) $70,000,000
Kawecki Chemical Co. --- **Common**
(Carl M. Loeb, Rhoades & Co.) 75,000 shares
Revlon Products Corp. --- **Common**
(Reynolds & Co.) 373,900 shares
Varian Associates --- **Debentures**
(Dean Witter & Co.) $2,000,000
Virginia Electric & Power Co. --- **Preferred**
(Bids 11 a.m. EST) $12,500,000
Yuba Consolidated Oil Fields --- **Common**
(Blyth & Co., Inc.) 405,365 shares

December 7 (Wednesday)
Atlanta Gas Light Co. --- **Preferred**
(Bids 11 a.m. EST) $3,000,000
Daitch Crystal Dairies, Inc. --- **Debentures**
(Hirsch & Co.) $2,000,000
Minute Maid Corp. --- **Common**
(Paine, Webber, Jackson & Curtis and White, Weld & Co.) 400,000 shares
National Old Line Insurance Co. --- **Class A & B Common**
(Equitable Securities Corp.) 50,000 shares of each
North Shore Gas Co. --- **Bonds**
(Bids 11 a.m. EST) $2,500,000
Pennsylvania RR. --- **Equip. Trust Ctfs.**
(Bids noon EST) $11,595,000
Reading Tube Corp. --- **Preferred**
(Emanuel, Deetjen & Co.) $2,400,000
Texas & Pacific Ry. --- **Equip. Trust Ctfs.**
(Bids noon EST) $1,400,000

December 8 (Thursday)
Connecticut Light & Power Co. --- **Bonds**
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $20,000,000
Cumberland Gas Corp. --- **Common**
(Bioren & Co.) 50,000 shares
Missouri Pacific RR. --- **Equip. Trust Ctfs.**
(Bids noon CST) $2,625,000

December 9 (Friday)
Cascade Natural Gas Corp. --- **Notes & Common**
(White, Weld & Co.; First California Co. and Blanchett, Hinton & Jones, Inc.) $3,589,450 notes and 71,789 shares of stock.

December 12 (Monday)
International Metals Corp. --- **Common**
(Gearhart & Otis, Inc.) $400,000
Maine Fidelity Life Insurance Co. --- **Common**
(P. W. Brooks & Co., Inc.) $1,000,000
Old Empire, Inc. --- **Common**
(Vickers Brothers) $300,000
Pittsburgh Coke & Chemical Co. --- **Common**
(Hemphill, Noyes & Co.) 100,000 shares
Tracerlab, Inc. --- **Debentures**
(Lee Higginson Corp.; Harriman Ripley & Co. Inc.; and Estabrook & Co.) $1,500,000

December 13 (Tuesday)
Delaware Power & Light Co. --- **Bonds**
(Bids to be invited) $10,000,000
Delaware Power & Light Co. --- **Preferred**
(Bids to be invited) $5,000,000
Illinois Central RR. --- **Equip. Trust Ctfs.**
(Bids noon CST) $8,700,000
Muzak Corp. --- **Preferred**
(Bids noon CST) $500,000
National Propane Corp. --- **Preferred & Common**
(Carl M. Loeb, Rhoades & Co. and Union Securities Corp.)

December 14 (Wednesday)
New Jersey Bell Telephone Co. --- **Debentures**
(Bids 11 a.m. EST) $25,000,000
Quebec Hydro-Electric Commission --- **Debentures**
(The First Boston Corp. and A. E. Ames & Co. Inc.) $50,000,000

December 15 (Thursday)
Colohoma Uranium, Inc. --- **Common**
(General Investing Corp.) $1,000,000
General Capital Corp. --- **Debentures**
(No underwriting) $300,000
Georesearch Corp. --- **Common**
(Bear, Stearns & Co. and Keith, Reed & Co. Inc.) 400,000 shares

January 9 (Monday)
Magnavox Co. --- **Preferred**
(Reynolds & Co.) $6,000,000

January 11 (Wednesday)
New Orleans Public Service Inc. --- **Preferred**
(Bids to be invited) $6,000,000

January 17 (Tuesday)
Pennsylvania Electric Co. --- **Bonds**
(Bids to be invited) $20,700,000
Pennsylvania Electric Co. --- **Preferred**
(Bids to be invited) $8,000,000

January 18 (Wednesday)
Ford Motor Co. --- **Class A Common**
(Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co.) 6,952,293 shares
Seattle-First National Bank --- **Common**
(Offering to stockholders—may be underwritten by Blyth & Co., Inc.) 100,000 shares

January 31 (Tuesday)
Texas Utilities Co. --- **Common**
(Bids to be invited) about $15,000,000

February 15 (Wednesday)
Dallas Power & Light Co. --- **Bonds**
(Bids to be invited) $10,000,000

February 28 (Tuesday)
Texas Electric Service Co. --- **Bonds**
(Bids to be invited) $10,000,000

● Cumberland Gas Corp. (12/8)
Nov. 17 filed 50,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To Southeastern Public Service Co., the selling stockholder. **Underwriter**—Bioren & Co., Philadelphia, Pa.

● Daitch Crystal Dairies, Inc. (12/7-8)
Oct. 28 filed $2,000,000 of 4% convertible subordinated debentures due 1975. **Price**—100% of principal amount. **Proceeds**—From sale of debentures, together with funds to be received from institutional investor, to be used in connection with proposed merger with company of Shopwell Foods, Inc., and for expansion program. **Office**—Bronx, New York City, N. Y. **Underwriter**—Hirsch & Co., New York.

Delaware Power & Light Co. (12/13)
Nov. 16 filed $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Union Securities Corp.; The First Boston Corp. and Blyth & Co. Inc., (jointly); White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. **Bids** — Tentatively expected to be received up to 11:30 a.m. (EST) on Dec. 13.

Delaware Power & Light Co. (12/13)
Nov. 16 filed 50,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 13.

Delta Minerals Co., Casper, Wyo.
Sept. 20 (letter of notification) 600,000 shares of non-assessable common stock (par five cents). **Price**—50 cents per share. **Proceeds**—Expenses incident to mining operations. **Office**—223 City and County Bldg., Casper, Wyo. **Underwriter**—The Western Trader & Investor, Salt Lake City, Utah.

Dinosaur Uranium Corp., Salt Lake City, Utah
Aug. 15 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—15 Exchange Place, Salt Lake City, Utah. **Underwriter**—Western States Investment Co., same city.

Dix Uranium Corp., Provo, Utah
Aug. 10 (letter of notification) 6,000,000 shares of non-assessable capital stock. **Price**—At par (five cents per share). **Proceeds**—For mining expenses. **Office**—290 North University Ave., Provo, Utah. **Underwriter** — Weber Investment Co., Provo, Utah.

Eagle Newspaper Enterprises, Inc.
Oct. 19 filed 75,000 shares of 7% cumulative convertible preferred stock (par $10) and 75,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$10.10 per unit. **Proceeds**—To exercise an option, which expires on Dec. 4, 1955, to acquire certain properties of the Brooklyn Eagle, Inc.; and for working capital. **Office**—Brooklyn, N. Y. **Underwriter** — James Anthony Securities Corp., New York.

Eagle Rock Uranium Co., Salt Lake City, Utah
Sept. 19 (letter of notification) 30,000,000 shares of non-assessable common stock. **Price**—At par (one cent per share). **Proceeds** — For expenses incident to mining activities. **Office**—214 East 5th South, Salt Lake City, Utah. **Underwriter**—Valley State Brokerage, Inc., Las Vegas, Nev.

East Basin Oil & Uranium Co.
Oct. 25 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to drilling for oil and gas. **Office**—Colorado Bldg., Denver, Colo. **Underwriter**—Philip Gordon & Co., Inc., New York.

Edgemont Shopping Center, Inc., Chicago, Ill.
Oct. 14 filed 6,000 shares of class A common stock. **Price**—At par ($100 per share). **Proceeds**—To acquire title to shopping center in Lansing, Mich., from builder of center. **Underwriter**—None, offering to be made through officers of company. Funds are to be held in escrow (if not enough is received, funds will be returned to purchasers of stock).

Electronic Micro-Ledger Accounting Corp.
Sept. 28 (letter of notification) 297,000 shares of common stock (par 10 cents), to be offered for subscription by stockholders. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—53 State St., Boston, Mass. **Underwriter**—None.

Empire Studios, Inc., Orlando, Fla.
Oct. 7 (letter of notification) 120,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—To finish three films under release contract to Republic Pictures Corp. **Underwriter** — Gerard R. Jobin Investments, Ltd., St. Petersburg, Fla.

★ Entron, Inc., Bladensburg, Md.
Nov. 21 (letter of notification) $225,000 of 7% convertible debentures due 1964 and 15,000 shares of common stock (no par) to be offered in units of $375 of debentures and 25 shares of stock. **Price**—$500 per unit. **Proceeds**—Principally for the acquisition of inventory and for working capital. **Office**—4902 Lawrence St. (P. O. Box 237), Bladensburg, Md. **Underwriter**—None.

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Entz-White Lumber & Supply, Inc.
Oct. 26 filed $500,000 of 20-year, 7% sinking fund debentures and 10,000 shares of capital stock (par $1) to be offered in units of $50 principal amount of debentures and one share of stock. **Price** — $50 per unit. **Proceeds**—To retire $80,000 of outstanding debentures; to increase inventories; and to establish additional outlets. **Office**—Phoenix, Ariz. **Underwriter**—None.

★ **Farmer's Educational and Co-Operative Union of America, Denver, Colo.**
Nov. 23 filed $2,300,000 of registered debentures, series A; $500,000 of registered savings debentures, series B; and $1,200,000 of registered savings debentures, series C. **Price**—At par (in units of $100, $125 and $120, respectively). **Proceeds** — To be loaned to or invested in Union subsidiaries; to retire outstanding indebtedness; and to expand the Union's educational activities. **Underwriter**—None. Debentures to be sold by salesmen, dealers and agents, and by officers, directors and employees of the Union, which is often referred to as National Farmers Union.

★ **Federated Plans, Inc., Worcester, Mass.**
Nov. 25 filed $10,000,000 of total payments under two types of Plans of the corporation for the accumulation of shares of Federated Fund of New England, consisting of $8,500,000 of Systematic Investment Plans and $1,500,000 of Fully-Paid Plans.

● **Finance Co. of America at Baltimore**
Oct. 19 (letter of notification) 10,000 shares of class A common stock (par $10), to be offered for subscription by stockholders on the basis of one new share for each 10 shares held. **Price**—$30 per share. **Proceeds**—To form and invest in the capital stock of an insurance company subsidiary. **Office**—Munsey Bldg., Baltimore 2, Md. **Underwriter**—None. **Offering**—Indefinitely postponed.

Fort Pitt Packaging International, Inc.
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Franklin Railway Supply Co.
Oct. 19 (letter of notification) 20,000 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—To reduce unsecured bank loans and for working capital. **Office**—927 Market St., Wilmington, Del. **Underwriter**—None, But C. W. Floyd Coffin and Herman F. Ball have agreed to purchase all shares not subscribed for by stockholders.

Freedom Insurance Co.
June 6 filed 1,000,000 shares of common stock (par $10). **Price**—$22 per share. **Proceeds**—For capital and surplus. **Business**—All insurance coverages, except, life, title and mortgage. **Office**—2054 University Avenue, Berkeley, Calif., c/o Ray B. Wiser, President. **Office**—Berkeley, Calif. **Underwriter** — Blair & Co. Incorporated, New York. **Offering**—Indefinitely postponed.

Fremont Uranium Co., Salt Lake City, Utah
Aug. 1 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—515 Deseret Bldg., Salt Lake City, Utah. **Underwriter** — Moab Brokerage Co., Western States Investment Co., Potter Investment Co., Mid-America Securities, Inc. of Utah, and Cashin-Emery, Inc., all of Salt Lake City, Utah.

Gas Hills Mining & Oil, Inc., Kemmerer, Wyo.
Aug. 1 (letter of notification) 1,000,000 shares of capital stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For oil and mining expenses. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

General Capital Corp. (12/15)
Oct. 3 (letter of notification) $300,000 of 10 year 8% debentures. **Price**—At par (in denominations of $100, $500, $1,000 and $5,000). **Proceeds** — For purchase of commercial paper. **Office**—4309 N. W. 36st St., Miami Springs, Fla. **Underwriter**—None.

★ **Georesearch, Inc. (12/15)**
Nov. 25 filed 400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire $400,000 of notes and for general corporate purposes. **Office**—Shreveport and Jena, La. **Underwriters**—Bear, Stearns & Co., New York, and Keith, Reed & Co., Inc., Dallas, Texas.

Great Lakes Oil & Chemical Co.
Sept. 29 (letter of notification) 171,429 shares of common stock (par $1) being offered for subscription by common stockholders of record Nov. 14 at the rate of one new share for each 17 shares held (with an over-subscription privilege); rights to expire on Dec. 5. **Price** —$1.62½ per share. **Proceeds**—For general funds. **Office** —417 South Hill St., Los Angeles, Calif. **Underwriter**—None.

Great Southwest Fire Insurance Co., Phoenix, Ariz.
Oct. 26 filed 700,000 shares of capital stock (par $1), to be offered to present and future holders of policies issued by National Reserve Insurance Co. as an optional dividend refund of their annual policy premium. **Price** —$1.60 per share. **Proceeds**—For working capital, etc. **Underwriter** — None. Some of the stock will also be offered to public through Kenneth K. Pound, President; and Law L. Lovelace, Secretary-Treasurer.

● **Guilford-Chester Water Co., Clinton, Conn.**
Nov. 10 (letter of notification) 8,507 shares of common stock (no par) to be offered for subscription by stockholders of record Nov. 4 on a 1-for-3 basis. **Price**—$29.50 per share. **Proceeds** — To reduce bank loans and for working capital. **Underwriter**—Putnam & Co., Hartford, Conn.

Gulf Coast Leaseholds, Inc., Houston, Texas
Sept. 14 filed $2,000,000 of 5% sinking fund convertible debentures due Sept. 1, 1965 to be sold to Brandel Trust. **Price**—$1,825,000, plus accrued interest of $29,632. **Proceeds**—To purchase certain working or leasehold interests in oil and gas interests. **Underwriter**—None.

Half Moon Uranium Corp., Ogden, Utah
Aug. 10 (letter of notification) 8,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds** —For mining expenses. **Office**—E-17 Army Way, Ogden, Utah. **Underwriter**—United Intermountain Brokerage Corp., Ogden, Utah.

Helio Aircraft Corp., Canton, Mass.
Nov. 3 (letter of notification) 24,000 shares of common stock. **Price**—$5 per share. **Proceeds**—For administrative and engineering expenses. **Office** — Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—None.

Home Acceptance Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) $300,000 of 25-year 6% junior subordinated debentures due Oct. 1, 1980. **Price**—At par (in denominations of $1,000, $500 and $100). **Proceeds**—For working capital. **Office**—837 South Maine St., Salt Lake City, Utah. **Underwriter**—Edward L. Burton & Co., same city.

Home Oil Co., Ltd., Calgary, Canada
Sept. 26 filed 1,500,000 shares of class A stock and 2,293,231 shares of class B stock, which are being offered in exchange for Federated Petroleums, Ltd. common stock on the basis of one share of either class A or class B stock in exchange for each two Federated shares; the offer to expire on Dec. 5. Stockholders will vote Dec. 6 on approving acquisition of assets of Federated. Statement effective Oct. 19.

Housatonic Public Service Co.
Sept. 13 (letter of notification) 12,774 shares of common stock (par $15), being offered for subscription by common stockholders of record Nov. 7 on the basis of one new share for each 29 shares held; rights to expire on Dec. 12, 1955. **Price**—$21 per share. **Proceeds**—For construction expenditures. **Office**—33 Elizabeth St., Derby, Conn. **Underwriter**—None.

Hunt Uranium Corp., Green River, Utah
Aug. 22 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining activities. **Underwriter** — Elmer K. Aagaard, 323 Newhouse Bldg., Salt Lake City, Utah.

Hydro-Loc, Inc., Seattle, Wash.
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

Indian Monument Uranium Mining Corp.
Sept. 6 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—205 Byington Building, Reno, Nev. **Underwriter** —Richard L. Dineley, same address.

● **Industria Electrica de Mexico, S. A. (Electrical Industry of Mexico, Inc.)**
Nov. 7 filed 157,632 American shares representing a like amount of common shares (par 100 pesos-Mexican currency—U. S. $8 per share) being offered for subscription by common stockholders at the rate of one new share for each common share held of record Nov. 28; rights to expire on Dec. 13. Each five old American shares were first exchanged for four new American shares 1955 pursuant to a plan of reorganization effective Nov. 21. **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter** — National Financiera, S. A., a Mexican corporation controlled by the Mexican Government, has agreed to purchase all of the additional new common stock not subscribed for.

Insulated Circuits, Inc., Belleville, N. J.
Nov. 10 filed 100,000 shares of 6% cumulative convertible preferred stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Alexander Watt & Co., Ltd., New York.

International Investors Inc., New York
Aug. 23 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business** —To invest in foreign securities of the free world outside of the United States. **Underwriter**—I. I. I. Securities Corp., 76 Beaver St., New York, N. Y.

● **International Metals Corp. (12/12-16)**
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

International Plastic Industries Corp.
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

★ **Interstate Realty Investment Co., Inc.**
Nov. 22 (letter of notification) 230,000 shares of class B common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of land and construction of building. **Office**—40 Washington Ave., Dumont, N. J. **Underwriter**—None.

Israel Industrial & Mineral Development Corp.
Oct. 5 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—For general corporate purposes. **Underwriter** — Israel Securities Corp., New York, N. Y.

"Isras" Israel-Rassco Investment Co., Ltd.
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office** —Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

Jurassic Minerals, Inc., Cortez, Colo.
Aug. 26 (letter of notification) 2,855,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

● **Kawecki Chemical Co. (12/6-7)**
Nov. 10 filed 75,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding mortgage indebtedness and bank loan; for construction program; and for working capital and other general corporate purposes. **Office** — Boyertown, Pa. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

● **Kayser (Julius) & Co., New York**
Oct. 24 filed 130,000 shares of common stock (par $5) being offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each five shares held; rights to expire on Dec. 14. **Price**—$20 per share. **Proceeds**—For general corporate purposes. **Business**—Manufactures wearing apparel. **Underwriter**—None. Any unsubscribed shares will be taken up by certain officers, directors and insurance companies.

Kendon Electronics Co., Inc.
Oct. 27 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds** —To Nicholas J. Papadakos, the selling stockholder. **Office**—129 Pierrepont St., Brooklyn, N. Y. **Underwriter**—20th Century Pioneer Securities Co., New York.

Lander Valley Uranium & Oil Corp.
Aug. 15 (letter of notification) 3,000,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—c/o Warren E. Morgan, President, 1705 East First South, Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Las Vegas, Nev.

● **LeCuno Oil Corp., Jefferson, Texas (12/5-9)**
Aug. 29 filed 450,000 shares of capital stock (par 10 cents). **Price** — Around $9 per share. **Proceeds** — For payment of liabilities and expenses incident to oil and gas and mineral activities. **Underwriters**—Eastman, Dillon & Co., New York; and First California Co., Inc., San Francisco, Calif.

★ **Libby Furniture & Appliance Co., Chicago, Ill.**
Nov. 15 (letter of notification) $250,000 of 8% debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For expansion of operations and working capital. **Office**—421-425 West Erie St., Chicago, Ill. **Underwriter**—None.

Life Underwriters Insurance Co., Shreveport, La.
Sept. 26 filed 100,000 shares of common stock (par 25 cents) to be offered for subscription by present stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering, after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds** —For expansion and working capital. **Underwriter**—None.

Lithium Developments, Inc., Cleveland, Ohio
Oct. 17 filed 600,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development costs, etc. **Underwriter**—George Searight, New York City.

Little Mac Uranium Co.
Sept. 12 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds** —For mining expenses. **Office**—440 West 3rd North, Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Lost Canyon Uranium & Oil Co.
Oct. 6 (letter of notification) 3,000,000 shares of non-assessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

Maine Fidelity Life Insurance Co. (12/12-16)
Nov. 10 filed 40,000 shares of capital stock (par $10). **Price**—$25 per share. **Proceeds**—For general corporate purposes. **Office** — Portland, Me. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Manhattan Mercury Corp., Denver, Colo.
Oct. 26 (letter of notification) 1,500,000 shares of common stock (par one cent), of which 1,400,000 shares are for account of company and 100,000 shares for certain stockholders. **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—374 Denver Club Bldg., Denver, Colo. **Underwriters**—General Investing Corp., New York; and Investment Service Co., Denver, Colo.

Mansfield Telephone Co., Mansfield, Ohio
Nov. 4 (letter of notification) 6,000 shares of 5% preferred stock. **Price**—At par ($50 per share). **Proceeds** —To reduce short term indebtedness and for construction program. **Office**—35 Park Avenue East, Mansfield, Ohio. **Underwriter**—None.

Manufacturers Cutter Corp.
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

Marl-Gro, Inc., San Francisco, Calif.
Oct. 6 (letter of notification) 172,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses and expenses incident to selling a soil conditioner. **Office**—681 Market St., San Francisco, Calif. **Underwriter**—Globe Securities Corp., New York.

Mascot Mines, Inc.
Aug. 1 (letter of notification) 300,000 shares of common stock (par 35 cents). **Price** — 62½ cents per share. **Proceeds** — For expenses incident to mining activities. **Underwriter**—Standard Securities Corp., Spokane, Wash.

Mexico Refractories Co., Mexico, Mo.
Oct. 19 filed 57,776 shares of common stock (par $5) to be offered to stockholders of National Refractories Co., a subsidiary, in exchange for 57,776 shares of capital stock (par $5) of National on a share-for-share basis; offer to remain open for 60 days from date of prospectus. Offer is conditioned upon Mexico owning at least 80% of outstanding National stock upon consummation of exchange.

Mid-Union Indemnity Co., Elgin, Ill.
Nov. 10 filed 500,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Miles Laboratories, Inc., Elkhart, Ind.**
Nov. 9 filed 106,962 shares of common stock (par $2) being offered for subscription by common stockholders of record Nov. 29 on the basis of one new share for each 10 shares held; rights to expire on Dec. 12. **Price**—$20 per share. **Proceeds**—For expansion; purchase of machinery and equipment; and for working capital. **Underwriter**—The First Boston Corp., New York.

Minute Maid Corp., New York (12/7)
Nov. 15 filed 400,000 shares of common stock (par 10 cents). **Price**—To be related to current market price in the over-the-counter market at time of offering. **Proceeds** — To increase working capital. **Underwriters** — Paine, Webber, Jackson & Curtis and White, Weld & Co., both of New York.

Mobile Uranium & Oil Co., Salt Lake City, Utah
Aug. 22 (letter of notification) 5,500,000 shares of non-assessable capital stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Mohawk Silica Co., Cincinnati, Ohio
Oct. 3 (letter of notification) 3,000 shares of 8% cumulative preferred stock. **Price** — At par ($50 per share). **Proceeds**—For processing plant, heavy equipment, and working capital. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter** — W. E. Hutton & Co., Cincinnati, Ohio.

Monogram Uranium & Oil Co.
Aug. 31, filed 500,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — To make payment of $675,000 to Four Corners Uranium Corp. under a purchase contract; to use $100,000 each to purchase mining equipment, to pay for development and driving drift and for exploratory drilling; and the remainder for working capital, acquisition of additional properties, and unforeseen contingencies. **Underwriter**—Carr & Co., Detroit, Mich.

● **Mt. Vernon Mining & Development Co.**
Nov. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—422 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter** — Ackerson-Hackett Investment Co., 701 Continental Bank Bldg., same city.

★ **National Loc-Bloc Corp., Seattle, Wash.**
Nov. 21 (letter of notification) 200,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For working capital and other corporate purposes. **Office**—1100 Valley St., Seattle 9, Wash. **Underwriter**—None.

National Mercury Corp., Denver, Colo.
Oct. 24 (letter of notification) 750,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds** — For mining expenses. **Office** — 414 Colorado Bldg., Denver, Colo. **Underwriter**—Shaiman & Co., same city.

National Old Line Insurance Co. (12/7)
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y.

National Propane Corp. (12/13)
Nov. 18 filed 140,000 shares of convertible second preferred stock (par $25) and 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from private sale of $4,950,000 of 4¾% 15-year notes, to be used to pay for bottled gas business of Shell Oil Co. in the Middle West. **Office**—New Hyde Park, L. I., N. Y. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Union Securities Corp., both of New York.

Natural Power Corp. of America, Moab, Utah
Sept. 7 (letter of notification) 300,000 shares of non-assessable common stock (par one cent). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Underwriter**—Western Bond & Share Co., Tulsa, Okla.

Nevada Mercury Corp., Winnemucca, Nev.
Sept. 16 (letter of notification) 1,500,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Professional Building, Winnemucca, Nev. **Underwriter**—Shelley, Roberts & Co., Denver, Colo.

New Jersey Bell Telephone Co. (12/14)
Nov. 18 filed $25,000,000 of 40-year debentures due Dec. 1, 1995. **Proceeds**—To repay advances from American Telephone & Telegraph Co., its parent, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Shields & Co.; Kuhn, Loeb & Co.; White, Weld & Co. **Bids** — Expected to be received up to 11 a.m. (EST) on Dec. 14 at Room 2315, 195 Broadway, New York, N. Y.

North Shore Gas Co., Salem, Mass. (12/7)
Nov. 1 filed $2,500,000 of first mortgage bonds, series B, due 1975. **Proceeds**—To repay bank loans and advances from New England Electric System. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated. **Bids**—Scheduled to be received up to 11 a.m. (EST) on Dec. 7 at 441 Stuart St., Boston 16, Mass.

North Shore Gas Co., Salem, Mass.
Nov. 10 (letter of notification) 1,289 shares of common stock (par $10) to be offered for subscription by minority stockholders at rate of one new share for each five shares held. **Price**—$14 per share. **Proceeds**—To repay advances from New England Electric System, the parent. **Underwriter**—None.

Norwood Uranium, Inc., Norwood, Colo.
Oct. 21 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—Columbia Securities Co., Denver, Colo.

Nu-Petro Corp., Dallas, Texas
Nov. 14 filed 4,000,000 shares of common stock (par 25 cents). **Price**—30 cents per share. **Proceeds**—For purchase of investments and property interests in both oil and gas and nuclear situations. **Underwriter**—None; but offering will be made through licensed dealers. Jack Frost of Dallas is Chairman of the Board and J. Cullen Looney of Edinburg, Texas, is President.

Oak Mineral & Oil Corp., Farmington, N. M.
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

Old Empire, Inc. (12/12-23)
Oct. 31 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To retire $17,800 of outstanding preferred stock; for equipment, inventory and working capital. **Business**—Chemical specialties. **Office**—865 Mt. Prospect Ave., Newark, N. J. **Underwriter**—Vickers Brothers, New York.

● **Olive-Myers Spalti Mfg. Co., Dallas, Texas**
Oct. 24 filed 100,000 shares of 55-cent cumulative convertible preferred stock (par $6.25) to be offered for subscription by common stockholders on basis of one share of preferred stock for each 2,597 shares of common stock held. The subscription warrants will expire at 3:30 p.m. (CST) on the 14th day following the effective date of the registration statement. **Price**—To stockholders, $9.50 per share; to public $10 per share. **Proceeds**—For expansion program. **Business**—Manufactures household furniture. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Texas.

Ottilia Villa, Inc., Las Vegas, Nev.
Aug. 16 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For South 5th St., Las Vegas, Nev. **Underwriter**—Hennon & Roberts, Las Vegas, Nev.

Pacific Employers Insurance Co. (12/5)
Nov. 10 filed 94,700 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Los Angeles, Calif. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

Pacific International Metals & Uranium, Inc.
Aug. 12 (letter of notification) 12,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For expenses incident to mining activities. **Office**—419 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Guss Securities Co., Salt Lake City, Utah.

★ **Paramount Mining & Development Corp.**
Nov. 23 (letter of notification) 2,500,000 shares of common stock (par 10 cents). **Price** — 12 cents per share. **Proceeds**—For mining expenses. **Office**—130 So. 4th St., Las Vegas, Nev. **Underwriter**—None.

Paria Uranium & Oil Corp.
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

Partridge Canadian Explorations, Ltd.
Sept. 21 (Regulation "D" filing) 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For exploration and development costs. **Office**—West Toronto, Ont., Canada. **Underwriter** — Hunter Securities Corp. and M. J. Reiter Co., both of New York.

Penn Precision Products, Inc., Reading, Pa.
Nov. 3 (letter of notification) 3,857 shares of common stock (no par), of which 2,000 shares are to be offered for subscription by existing stockholders at $12 per share, and 1,857 shares to non-stockholders who are residents of Pennsylvania at $14 per share. **Proceeds**—For purchase of mill. **Office** — 501 Crescent Ave., Reading, Pa. **Underwriter**—None.

Penn-Utah Uranium, Inc., Reno, Nev.
Aug. 4 (letter of notification) 2,000,000 shares of common stock (par three cents). **Price**—15 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—206 N. Virginia Street, Reno, Nev. **Underwriter**—Philip Gordon & Co., Inc., New York, N. Y.

★ **Pipelife Corp., Tulsa, Okla.**
Nov. 29 filed 115,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To pay current accounts and notes payable; for research and development; and general corporate purposes. **Underwriter** — North American Securities Co.

Pittman Drilling & Oil Co., Independence, Kan.
Sept. 6 (letter of notification) 60,000 shares of 6% non-cumulative preferred stock (par $5) and 60,000 shares of common stock (par 10 cents) to be offered in units of one share of each. **Price**—$5 per unit. **Proceeds**—For payment of note and working capital. **Office**—420 Citizens National Bank Bldg., Independence, Kan. **Underwriter**—Dewitt Investment Co., Wilmington, Del.

● **Pittsburgh Coke & Chemical Co. (12/12-16)**
Nov. 22 filed 160,000 shares of common stock (no par). **Price**—To be related to the current market at time of offering. **Proceeds** — For general corporate purposes. **Underwriter**—Hemphill, Noyes & Co., New York.

● **Porto Rico Telephone Co.**
Nov. 7 filed 100,000 shares of common stock (par $20), being offered for subscription by stockholders of record Nov. 28 at the rate of one new share for each four shares held; rights to expire on Dec. 13. The International Telephone & Telegraph Co., the holder of 399,495 shares (99.87%) of the outstanding stock has waived its preemptive rights to purchase 99,866 of the new shares. **Price**—$21.45 per share to stockholders; $22.75 to public. **Proceeds** — For construction program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

★ **Professional Casualty Co., Champaign, Ill.**
Nov. 25 filed 250,000 shares of common stock (par $4). **Price**—$10 per share. **Proceeds**—For working capital, etc. **Underwriter**—Professional Casualty Agency Co., Champaign, Ill. John Alan Appleman of Urbana, Ill., is President of the company.

Prudential Loan Corp., Washington, D. C.
Nov. 22 filed 111,000 shares of 44-cent cumulative prior preferred stock (par $5) and 55,500 shares of 10-cent par common stock to be offered in units of one share of preferred stock and one-half share of common stock. **Price**—$6.75 per unit. **Proceeds**—For general corporate purposes. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill.

● **Puerto Rican Jai Alai, Inc. (12/5)**
Nov. 3 filed 1,250,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To purchase property and for construction of sports stadium, etc. **Business**—Playing of jai alai, with pari-mutuel betting. **Office**—San Juan, Puerto Rico. **Underwriter**—F. H. Crerie & Co., Inc., New York.

★ **Quebec Hydro-Electric Commission (12/14)**
Nov. 25 filed $50,000,000 of 25-year debentures, due Jan. 1, 1981 (to be guaranteed unconditionally as to principal and interest by the Province of Quebec, Canada. **Price**—To be supplied by amendment. **Proceeds**—To repay $8,000,000 in bank advances and to finance, in part, construction program for the period September, 1955 through the year 1962. **Underwriters**—The First Boston Corp. and A. E. Ames & Co. Inc., both of New York.

Radio Corp. of America
Oct. 28 filed $100,000,000 of 25-year 3½% convertible subordinated debentures due Dec. 1, 1980 being offered for subscription by common stockholders of record Nov. 17 on the basis of $100 of debentures for each 14 shares of stock held; rights to expire on Dec. 5. **Price**—$102.50 (flat) per $100 principal amount. **Proceeds**—For property additions and improvement; for further expansion and development of the corporation's research, manufacturing and service facilities in electronics and related fields. **Underwriters**—Lehman Brothers and Lazard Freres & Co., both of New York.

● **Reading Tube Corp., New York (12/7-8)**
Nov. 16 filed 120,000 shares of $1.25 cumulative convertible preferred stock, 1955 series (par $20), of which 80,000 shares are to be offered publicly and 40,000 shares principally to a class of persons consisting of management and directors. **Price**—To be supplied by amendment. **Proceeds**—To redeem $1,485,665 of 6% debentures, repay a bank loan of $987,500, and for general corporate purposes. **Underwriter**—Emanual, Deetjen & Co., New York.

Real Estate Clearing House, Inc.
Sept. 14 (letter of notification) 270,000 shares of 7% cumulative preferred stock (par $1) and 135,000 shares of common stock (par five cents) to be offered in units of two shares of preferred and one share of common stock. **Price**—$2.05 per unit. **Proceeds**—For working capital, etc. **Office**—161 West 54th Street, New York, N. Y. **Underwriter**—Choice Securities Corp., 35 East 12th Street, New York, N. Y.

Republic Benefit Insurance Co., Tucson, Ariz.
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants

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and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

● Revlon Products Corp., New York (12/6-7)
Nov. 14 filed 373,900 shares of common stock (par $1), of which 272,067 shares are to be offered by the company and 101,833 shares by certain stockholders. Of the latter shares, 33,900 are to be first offered directly to certain employees. **Price** — To be supplied by amendment. **Proceeds**—To complete payment for a plant newly acquired from Johnson & Johnson, in Metuchen, N. J., and for new equipment. **Business**—Cosmetics and toiletries. **Underwriter**—Reynolds & Co., New York.

Reynolds Mining & Development Corp.
Nov. 22 filed 1,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Office** — Moab, Utah. **Underwriter**—The Matthew Corp. of Washington, D. C.

● Richmond Homes, Inc. (12/2)
Oct. 25 filed 140,000 shares of common stock (par $1), of which 80,000 shares are to be sold for the account of the company and 60,000 shares for the account of two selling stockholders. **Price**—$5 per share. **Proceeds**—To repay a mortgage note, for the organization of a wholly-owned acceptance corporation to be used for financing purposes, for plant additions and the purchase of additional equipment, for the purchase of land to be developed as a new subdivision in Richmond, Ind., and for working capital. **Office**—Richmond, Ind. **Underwriter**—Cruttenden & Co., Chicago, Ill.

● Rochester Gas & Electric Corp.
Nov. 4 filed 200,000 shares of common stock (no par) being offered for subscription by common stockholders on the basis of one new share for each seven shares held on Nov. 25; rights to expire on Dec. 12; unsubscribed shares to be offered to employees up to and including Dec. 9. **Price**—$40.50 per share. **Proceeds**—to repay bank loans and for construction program. **Underwriters**—The First Boston Corp., New York.

Rogers Corp., Rogers, Conn.
Oct. 3 (letter of notification) a minimum of 5,883 shares and a maximum of 7,453 shares of class B common stock to be offered to stockholders on a basis of one share for each four shares held. **Price**—($29 per share). **Proceeds**—To replenish working capital due to losses sustained in recent flood. **Underwriter**—None .

San Juan Racing Association, Inc., Puerto Rico.
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

San Juan Uranium Exploration, Inc.
Aug. 19 (letter of notification) 925,000 shares of non-assessable common stock (par one cent). **Price**—12 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 718 Kittredge Bldg., Denver, Colo. **Underwriter**—Shelley-Roberts & Co., Denver, Colo.

Sandia Mining & Development Corp.
Sept 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities, Inc. of Utah, Salt Lake City, Utah.

Sans Souci Hotel, Inc., Las Vegas, Nev.
Nov. 9 filed 1,428,000 shares of common stock (of which 1,097,529 shares are to be offered for subscription by stockholders at rate of 1⅔ shares for each share held of record Dec. 1, 1955 (with rights to expire on Dec. 31); 30,471 shares are to be issued in payment for claims of seven individuals and firms aggregating $30,471; and 300,000 shares are to be offered by George E. Mitzel, President of company). **Price**—$1 per share. **Proceeds**—For construction of new facilities; to pay off notes; and for working capital. **Underwriter**—None.

Sayre & Fisher Brick Co., Sayreville, N. J.
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York City.

Science Press of New Jersey, Inc.
Nov. 10 (letter of notification) 15,620 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For building, equipment, working capital, etc. **Office**—Spur Route 518, a mile west of the Borough of Hopewell, County of Mercer, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

Shenandoah Gas Co., Lynchburg, Va.
Sept. 19 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To James L. Carter, President, who is the selling stockholder. **Office**—315 Krise Bldg., Lynchburg, Va. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Shenandoah Gas Co., Lynchburg, Va.
Nov. 3 (letter of notification) 1,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds**—To Mrs. Jewel R. Carter. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Sheraton Corp. of America
Oct. 31 filed $15,000,000 of 6½% cumulative income subordinated debentures due Nov. 1, 1980 to be offered initially by the company (a) to its stockholders on the basis of $100 principal amount of debentures for each 25 shares of stock then held and (b) to employees of corporation and its subsidiaries. **Price**—$95 per $100 of debentures to stockholders; and at par to public. **Proceeds**—For general corporate purposes. **Office**—Boston, Mass. **Underwriter**—None, but Sheraton Securities Corp., a subsidiary, will handle stock sales.

Shumway's Broken Arrow Uranium, Inc.
Nov. 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—Moab, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Salt Lake City, Utah.

★ Southeastern States Telephone Co.
Nov. 30 filed 100,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To finance, in part, construction program. **Office** — San Francisco, Calif. **Underwriter** — Central Republic Co., Inc., Chicago, Ill.

Southern Mining & Milling Co., Atlanta, Ga.
Sept. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to mining activities. **Offices**—Healey Building, Atlanta Ga., and 4116 No. 15th Avenue, Phoenix, Ariz. **Underwriter** — Franklin Securities Co., Atlanta, Ga.

★ Spurr Mining Corp.
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

Strouse, Inc., Norristown, Pa.
Nov. 10 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — Maine and Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

Sturm (Ray L.), Inc., Bradford, Pa.
Nov. 8 (letter of notification) 20,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To pay notes payable, premiums due insurance companies, etc. **Business**—An insurance agency. **Office**—21 Webster St., Bradford, Pa. **Underwriter**—William T. Bowler & Co., I. O. O. F. Bldg., Bradford, Pa.

Sulphur Exploration Co., Houston, Texas
Nov. 21 filed 600,000 shares of 6% convertible non-cumulative preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each common share held. **Price**—At par ($2 per share). **Proceeds**—For construction and operation of sulphur extraction plant. **Underwriter**—To be named by amendment. L. D. Sherman & Co., New York, handled common stock financing in August, 1954.

Summit Springs Uranium Corp., Rapid City, S. D.
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

Superior Uranium Co., Denver, Colo.
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O. Box 127, Arvada, Colo.

Swank Uranium Drilling & Exploration Co.
Aug. 17 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expenses incident to mining activities. **Office**—Moab, Utah. **Underwriter**—Honnold & Co., Inc., Salt Lake City, Utah.

Sweetwater Uranium Co.
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

Target Uranium Co., Spokane, Wash.
Aug. 12 (letter of notification) 1,000,000 shares of non-assessable stock (par five cents). **Price**—20 cents per share. **Proceeds** — For mining expenses. **Office** — 726 Paulsen Bldg., Spokane, Wash. **Underwriter** — Percy Dale Lanphere, Empire State Bldg., Spokane, Wash.

Texas American Oil Corp.
Nov. 3 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds**—For drilling expenses, etc. **Office**—216 Central Bldg., Midland, Tex. **Underwriter**—Kramer, Woods & Co., Inc., Houston, Tex.

★ Texas Eastern Transmission Corp., Shreveport, La.
Nov. 30 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Toward redemption of presently outstanding first preferred stock. **Underwriter**—Dillon, Read & Co. Inc., New York.

● Tracerlab, Inc., Boston, Mass. (12/12-16)
Nov. 18 filed $1,500,000 of 5% convertible debentures, due Nov. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To repay bank debt of Keleket X-Ray Corp., a subsidiary; for advances to or for account of Tracerlab Development Corp. in connection with the construction by that company of a new building which is to be leased by Tracerlab, Inc.; and for working capital for use for general corporate purposes. **Underwriters**—Lee Higginson Corp. and Harriman Ripley & Co. Inc., both of New York, and Estabrook & Co., Boston and New York.

Trans-American Development Corp.
Nov. 14 (letter of notification 45,000 shares of 8% cumulative preferred stock (par $1) and 45,000 shares of class A common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$1 per unit. **Proceeds**—For working capital. **Office**—5225 Wilshire Blvd., Los Angeles, Calif. **Underwriter**—None.

Traveler Publishing Co., Inc., Philadelphia, Pa.
Sept. 29 (letter of notification) $247,000 of 5½% convertible debentures, series A, due Sept. 1, 1965 and 24,700 shares of common stock (par 10 cents), to be offered in units consisting of $1,000 of debentures and 100 shares of common stock. **Price**—$1,010 per unit. **Proceeds**—For payment of indebtedness, expansion, establishment of additional offices; professional and editorial assistance, advertising and promotion; and working capital. **Office**—Widener Bldg., Philadelphia, Pa. **Underwriter**—Albert C. Schenkosky, Wichita, Kansas.

Travelfares, Inc., Seattle, Wash.
Sept. 14 (letter of notification) 100,000 shares of non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For repayment of loans, working capital, etc. **Office**—1810 Smith Tower, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Tri-Continental Corp., New York
Oct. 27 filed 2,573,508 shares of common stock (par $1), which will be issuable upon exercise of the common stock purchase warrants presently outstanding. **Price**—Each warrant currently entitled the holder to purchase 1.27 shares at $17.76 per share for each one share specified in the warrant certificate.

Tunacraft, Inc., Kansas City, Mo.
Aug. 22 (letter of notification) $295,000 principal amount of 6% 12-year registered subordinated sinking fund debentures, dated Sept. 1, 1955 (with stock purchase warrants). **Price**—At par (in denominations of $100 each or multiples thereof). **Proceeds**—To refinance and discharge secured obligation. **Underwriter** — McDonald, Evans & Co., Kansas City, Mo.

★ 20th Century Lites, Inc., Murray, Utah.
Nov. 18 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To finance outstanding and future contracts and expansion of operations. **Underwriter**—None.

Union Corp. of America
Oct. 13 filed 797,800 shares of common stock (no par). **Price**—Proposed maximum offering price per unit is $5 per share. **Proceeds**—To acquire one life and one fire insurance company, and one mortgage loan firm. **Underwriter**—None; shares to be sold through directors and officers.

Union Gulf Oil & Mining Corp.
Sept. 9 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—510 Colorado Bldg., Denver, Colo. **Underwriter**—Honnold & Co., same city.

U. S. Automatic Machinery & Chemical Corp. (12/5-9)
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., 135 Broadway, New York.

Universal Service Corp., Inc., Houston, Texas
July 8 filed 500,000 shares of common stock (par two mills). **Price**—$2.50 per share. **Proceeds**—For equipment, mining costs, oil and gas development, and other corporate purposes. **Underwriter** — None. **Offering** — Postponed.

● Uranium Exploration, Inc., Minot, N. D.
Nov. 14 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining operations. **Underwriters**—None, but the following have been licensed to sell stock in the company: Fay C. DeWitt and Bryon C. Varberg, both of Minot, N. D.

Utah-Arizona Uranium, Inc., Salt Lake City, Utah
Aug. 1 (letter of notification) 600,000 shares of common stock (par 16⅔ cents). **Price**—50 cents per share. **Proceeds**—For expenses incident to mining activities. **Office**—Greyhound Terminal Building, West Temple & South Temple Streets, Salt Lake City, Utah. **Underwriter**—Trans-Western Brokerage Co., New Orleans, La.

Utah Grank, Inc., Reno, Nev.
Aug. 15 (letter of notification) 270,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining activities. **Office**—312 Byington Bldg., Reno, Nev. **Underwriter**—Lester L. LaFortune, Las Vegas, Nev.

Valley Telephone Co., Silverton, Ore.
Nov. 3 (letter of notification) 10,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To retire outstanding debts and short term notes. **Underwriter**—Daugherty, Butchart & Cole, Inc., Portland, Ore.

● Varian Associates, Palo Alto, Calif. (12/6)
Nov. 16 filed $2,000,000 of 15-year 5% convertible subordinated debentures due Dec. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—For purchase of land, buildings and equipment for engineering, marketing and manufacturing, and for working capital and other corporate purposes. **Underwriter** — Dean Witter & Co., San Francisco, Calif.

Virginia Electric & Power Co. (12/6)
Nov. 4 filed 125,000 shares of cumulative preferred stock, 1955 series (par $100). **Proceeds**—For construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 6 at Room 1703, 15 Broad St., New York, N. Y.

Wagon Box Uranium Corp., Provo, Utah
Nov. 21 filed 2,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To explore and acquire claims, for purchase of equipment and for working capital and other corporate purposes. **Underwriter**—H. P. Investment Co., Provo, Utah and Honolulu, Hawaii.

Warrior Mining Co., Birmingham, Ala.
Sept. 29 (letter of notification) 6,000,000 shares of non-assessable common stock (par one cent). **Price** — Five cents per share. **Proceeds** — For expenses incident to mining activities. **Office** — 718 Title Guarantee Bldg., Birmingham, Ala. **Underwriter**—Graham & Co., Pittsburgh, Pa. and Birmingham, Ala.

Western Carolina Telephone Co.
Oct. 10 (letter of notification) 18,500 shares of common stock (par $10), being offered to stockholders through subscription rights on the basis of one share for each five held as of Oct. 25; rights to expire on Nov. 25. **Price** — $12 per share. **Proceeds** — For expansion. **Office**—Weaverville, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte, N. C.

● Western Natural Gas Co.
Nov. 10 filed 183,003 shares of 5% convertible preferred stock, 1955 series (par $30), being offered for subscription by common stockholders on the basis of one preferred share for each 20 shares of common stock held on Nov. 30; rights to expire about Dec. 14. **Price**—$30 per share. **Proceeds**—For exploration and development programs. **Office**—Houston, Tex. **Underwriter**—White, Weld & Co., New York.

● Whitaker Cable Corp., North Kansas City, Mo.
Nov. 3 filed $500,000 of convertible sinking fund debentures due Nov. 1, 1970. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans, to acquire additional equipment and for working capital and general corporate purposes. **Underwriter**—Barret, Fitch, North & Co., Kansas City, Mo. Statement has been withdrawn.

Wonder Mountain Uranium, Inc., Denver, Colo.
Aug. 12 (letter of notification) 2,380,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds** — For expenses incident to mining activities. **Office**—414 Denver Nat'l Bldg., Denver, Colo. **Underwriter**—Floyd Koster & Co., Denver, Colo.

Woods Oil & Gas Co., New Orleans, La.
Aug. 29 filed 250,000 shares of common stock (par $5). **Price**—$8 per share. **Proceeds**—For retirement of debt; revision of corporate structure, etc. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill. **Offering**—To be withdrawn.

★ Woodstock Uranium Corp., Carson City, Nev.
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg., Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

Wycotah Oil & Uranium, Inc., Denver, Colo.
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

Wyoming-Gulf Sulphur Corp.
Oct. 10 filed 971,000 shares of capital stock (par 10 cents), of which 700,000 shares are for company's account and 271,000 shares for account of two selling stockholders. **Price**—On the over-the-counter market at then prevailing price, but not less than $2 per share. **Proceeds**—For auxiliary equipment for Cody plant, for acquisition of additional site, and related activities.

Wyton Oil & Gas Co., Newcastle, Wyo.
Sept. 20 filed 254,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To August Buschmann, of Seattle, Wash., and members of his family. **Underwriter**—None.

Yellowknife Uranium Corp.
Aug. 19 filed 1,000,000 shares of common stock (par one cent), of which 700,000 shares are to be sold for account of company and 300,000 shares for account of Stancan Uranium Corp. **Price**—$1.50 per share. **Proceeds**—For payments under purchase and option agreements for claims; for working capital and reserve funds; and for other general corporate purposes. **Office** — Toronto, Canada. **Underwriters**—Gearhart & Otis, Inc. and F. H. Crerie & Co., Inc., both of New York City. **Offering**—Indefinitely postponed.

Yuba Consolidated Gold Fields (12/6)
Nov. 16 filed 405,365 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Zenith-Utah Uranium Corp.
Sept. 14 (letter of notification) 6,000,000 shares off class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

Prospective Offerings

Atlantic City Electric Co.
Aug. 1, B. L. England, President, announced that the directors are now considering the sale to the public of a small amount of common stock (not more than 75,000 shares) early next year. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., both of New York.

Atlas Plywood Corp.
Oct. 12 it was announced company plans to issue and sell $3,000,000 of 5% sinking fund debentures and $3,000,000 of 5½% convertible subordinated debentures. **Proceeds**—To increase inventory and to retire subsidiary indebtedness. **Meeting**—The stockholders on Nov. 2 voted to approve a proposal to increase the authorized common stock from 1,400,000 shares to 2,400,000 shares to provide for exchange of stock for minority shares to Plywood, Inc., for conversion of proposed new debentures and for possible future acquisitions of property. **Underwriter**—For convertible debentures, may be Van Alstyne, Noel & Co., New York. **Offering**—Expected before end of 1955.

Baltimore & Ohio RR. (12/1)
Bids will be received by the company at 2 Wall Street, New York 5, N. Y., up to noon (EST) on Dec. 1 for the purchase from it of $3,000,000 equipment trust certificates, series GG, to be dated Jan. 1, 1956 and to mature in 15 equal annual instalments of $200,000 each from Jan. 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Boston & Maine RR.
Oct. 20 stockholders approved a plan to offer $105 principal amount of series B 5% income debenture bonds (plus 5% interest for the year 1955) in exchange for each of the outstanding 274,597 shares of 5% preferred stock (par $100). Not in excess of $28,874,564 of bonds would be issued.

Cavitron Corp., Long Island City, N. Y.
Nov. 17 it was announced that this company is considering additional financing. **Underwriter**—Schuster & Co., Inc., New York. **Offering**—Expected sometime in December.

Chicago, Milwaukee, St. Paul & Pacific RR. (12/6)
Bids will be received by the company, at Room 744, Union Station Bldg., Chicago 6, Ill., up to noon (CST) on Dec. 6 for the purchase from it of $7,500,000 equipment trust certificates, series UU, to be dated Jan. 1, 1956, and to mature in 30 equal semi-annual instalments of $250,000 each from July 1, 1955 to Jan. 1, 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Citizens & Southern National Bank, Atlanta, Ga.
Nov. 8 the directors recommended the sale of 100,000 additional shares of common stock (par $10) to stockholders on the basis of one new share for each nine shares held (subject to approval of stockholders in January). **Price** — $30 per share. **Proceeds** — To increase capital and surplus.

Craig Systems, Inc.
Sept. 26 it was reported company plans early registration of 175,000 shares of common stock, of which 50,000 shares are to be sold for the account of the company and 125,000 shares for account of certain selling stockholders. **Underwriter** — Hemphill, Noyes & Co., New York.

Cumberland Corp., Lexington, Ky.
Nov. 19 it was announced public offering is expected shortly after Jan. 1 to consist of $900,000 of 5% sinking fund debentures and 90,000 shares of common stock to be offered in units of a $1,000 debenture and 100 shares of stock. **Price**—$1,100 per unit. **Proceeds**—To build plant to make charcoal brickettes and chemical by-products, notably furfural. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; and Carl M. Loeb, Rhoades & Co., New York. **Registration** — Expected sometime in December.

★ Dallas Power & Light Co. (2/15)
Nov. 28 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers; Blair & Co. Incorporated. **Bids**—Tentatively scheduled for Feb. 15.

Danly Machine Specialties, Inc., Chicago, Ill.
Nov. 21 it was reported company plans to issue and sell 180,000 shares of its common stock. **Proceeds**—For general corporate purposes. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill. This will represent the first public offer of the company's stock.

Delaware Power & Light Co.
Sept. 28 it was announced that the company expects to undertake some common stock financing early in 1956, probably first to stockholders (this is in addition to bond and preferred stock financing planned for Dec. 13). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Carl M. Loeb, Rhoades & Co.; Blyth & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers.

Dolly Madison International Foods Ltd.
Nov. 15 it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

Du Mont Broadcasting Corp.
Aug. 10 it was announced that corporation, following issuance on Dec. 2 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

★ Duquesne Light Co.
Nov. 28, it was announced SEC has authorized Standard Power & Light Corp. to sell not more than 10,000 shares of the common stock of Duquesne Light Co. on the New York Stock Exchange by negotiated sale to a purchaser who will buy at the prevailing market prices, less a discount of not more than 50 cents per share.

Essex County Electric Co.
July 18 it was reported company plans to issue and sell some additional first mortgage bonds. **Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated.**

Federal Pacific Electric Co.
Nov. 15 it was announced directors are considering an issue of debentures, together with common stock purchase warrants. **Proceeds**—To reduce bank loans. **Underwriters**—H. M. Byllesby & Co. (Inc.) and Hayden, Stone & Co., New York.

Florida Power Corp.
April 14 it was announced company may issue and sell between $10,000,000 and $12,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; and The First Boston Corp. **Offering**—Expected early in 1956.

Ford Motor Co., Detroit, Mich. (1/18)
Nov. 6 it was announced a public offering of class A common stock is expected shortly after Jan. 1, 1956. The stock to be sold will be 6,952,293 shares (or 15% of the 46,348,620 shares to be owned by the Ford Foundation following reclassification of the stock). **Price**—It was reported that the offering price was expected to be around $60 to $70 per share. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kuhn, Loeb & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; and White, Weld & Co. **Registration**—Expected the latter part of December.

Gulf States Utilities Co.
May 16 it was reported company may issue and sell $10,000,000 first mortgage bonds if market conditions permit. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp.

Houston (Texas) Gas & Oil Corp.
Aug. 26, company applied to the FPC for authority to construct a 961-mile pipe line from a point near Baton Rouge, La., to Cutler, Fla., to cost approximately $110,382,000. It plans to issue and sell $81,200,000 of bonds, about $20,000,000 of 5½% interim notes (convertible into preferred stock), and over $8,700,000 of common stock. Stock would be sold, together with the notes, in units. **Underwriters**—Discussions were reported to be going on with Blyth & Co., Inc., San Francisco, Calif., and Scharff & Jones, Inc., New Orleans, La.

Houston Lighting & Power Co.
Oct. 31 it was reported company may sell early next year about $30,000,000 of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Lazard Freres & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Equitable Securities Corp. **Offering** — Expected in February or March.

★ Illinois Central RR. (12/13)
Bids will be received by the company, at Room 301, 135 East 11th Place, Chicago 5, Ill., up to noon (CST) on Dec. 13 for the purchase from it of $8,700,000 equipment trust certificates, series 41, to be dated Jan. 1, 1956 and to mature in 30 equal semi-annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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Inland Steel Co.
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

★ **Kimberly-Clark Corp., Neenah, Wis.**
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., New York.

Korvette (E. J.) Co.
Nov. 21 it was reported company is considering a public offer, following consolidation of nine stores into one parent corporation which is expected before the end of the year. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York. **Offering**—Expected in January.

Long Island Trust Co., Garden City, N. Y.
Nov. 22 stockholders of record Nov. 10 were given the right to subscribe for 10,000 additional shares of capital stock (par $10) on the basis of one new share for each 10 shares now held; rights to expire on Dec. 7. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Cyrus J. Lawrence Securities Corp., New York.

Magnavox Co. (1/9-13)
Nov. 14 it was announced company plans to issue and sell 120,000 shares of convertible preferred stock (par $50). **Price**—To be named later. **Proceeds**—For research and development program and working capital. **Underwriter**—Reynolds & Co., New York. **Offering**—Expected week of Jan. 9, 1956. **Registration** — Planned for about Dec. 15.

Missouri Pacific RR. (12/8)
Bids are expected to be received by the company up to noon (CST) on Dec. 8 for the purchase from it of $2,625,000 equipment trust certificates due annually from Jan. 1, 1956 to 1971 inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Modern Homes Corp. (Mich.)
Nov. 21 it was reported company may offer publicly $1,000,000 of convertible debentures and some common stock. **Business** — Manufactures prefabricated homes. **Offices**—Dearborn, Mich., and Port Jervis, N. J. **Underwriter**—Probably Campbell, McCarty & Co., Inc., Detroit, Mich.

★ **Muzak Corp. (12/13)**
Bids will be received by Union Electric Co. of Missouri, 315 No. 12th Blvd., St. Louis 1, Mo., up to noon (CST) on Dec. 13 for the purchase from it of $500,000 of 7% cumulative preferred stock (par $1,000) of Muzak Corp. and an interest in a royalty agreement with Muzak Corp.

New Orleans Public Service Inc. (1/11)
Oct. 24 it was reported company plans sale of 60,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Equitable Securities Corp. and Union Securities Corp. (jointly); Blair & Co. Incorporated. **Bids**—Expected on Jan. 11.

New York Central RR.
Nov. 8 it was announced company plans to issue and sell $6,660,000 of equipment trust certificates to mature annually Dec. 15, 1956-1970. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

New York, New Haven & Hartford RR.
Nov. 18 it was announced stockholders on Dec. 21 will vote on approving a plan of exchange providing for the issuance (a) of not exceeding $58,131,150 of new unsecured non-convertible 100-year 5% debentures, dated Jan. 1, 1956, in exchange for present $55,363,000 par value 5% convertible preferred stock, series A, on the basis of $105 of debentures for each $100 par value of preferred stock, plus $5.25 in cash ($5 of which will be paid as dividend on preferred for year 1955); and (b) of $72,638,265 of new 5% non-convertible general income mortgage bonds, series B, dated Jan. 1, 1956, in exchange for present $69,179,300 of 4½% convertible general income mortgage bonds, series A, due July 1, 2022, on the basis of $105 of new series B bonds for each $100 of series A bonds plus $5.25 in cash, which will include 1955 interest. **Dealer-Manager**—Francis I. du Pont & Co., New York.

Northern States Power Co. (Minn.)
March 29 it was announced that new capital requirements for 1955 will approximate $31,000,000. Present plans contemplate these funds will be obtained temporarily from short-term bank loans to be repaid from proceeds of the sale of additional bonds late in 1955 or early 1956. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Glore, Forgan & Co.

Offshore Gathering Corp., Houston, Texas
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

Outboard, Marine & Manufacturing Co.
Nov. 22, Joseph G. Rayniak, President, announced that the company plans to offer to its common stockholders the right to subscribe to 213,845 new common shares (par 83⅓ cents) in the ratio of one new share for each 10 held on a record date to be determined and announced later. Concurrently, 100,000 shares are to be offered to the public for the account of two selling stockholders. **Proceeds**—Together with funds from a long-term loan of $3,700,000 from an insurance company, to be used for expansion and general corporate purposes. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Expected in the near future.

Pennsylvania Electric Co. (1/17)
Oct. 28 it was reported company plans to issue and sell about $20,700,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co., Inc. **Bids**—Expected Jan. 17.

Pennsylvania Electric Co. (1/17)
Nov. 7 it was reported company proposes issuance and sale of $8,000,000 of preferred stock early next year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected Jan. 17.

Pennsylvania RR. (12/7)
Bids will be received by the company, at Room 1811, Suburban Station Bldg., Philadelphia 4, Pa., up to noon (EST) on Dec. 7 for the purchase from it of $11,595,000 equipment trust certificates, series EE, to be dated Jan. 1, 1956, and to mature $773,000 annually from Jan. 1, 1957 to 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler;; Kidder, Peabody & Company.

Pigeon Hole Parking of Texas, Inc.
Oct. 22 it was announced that about 800,000 shares of additional capital stock would be offered for public sale after the first of next year. **Proceeds** — Estimated at about $2,000,000, will be used to pay for expansion program. **Underwriters**—Porter, Stacy & Co., Houston, Tex.; and Muir Investment Corp., San Antonio, Tex.

Pike County Natural Gas Co.
Oct. 17 it was reported company plans to sell about $600,000 of common stock. **Underwriter**—Bache & Co., New York.

Pure Oil Co.
April 9 stockholders approved the possible issuance of a convertible debenture issue. This would not exceed $50,000,000 and would be issued at the discretion of the directors any time within the next 12 months. Underwriter—Probably Smith, Barney & Co., New York.

Riddle Airlines, Inc.
Nov. 2 it was announced company plans soon to offer to its stockholders the right to subscribe for 1,200,000 additional shares of common stock (with an oversubscription privilege). **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Scott Paper Co.
Sept. 20, Thomas B. McCabe, President, announced a major financing program will probably be undertaken by next spring. No decision has yet been reached as to the precise type, amount or date of financing. Stockholders approved proposals to increase the authorized common stock to 40,000,000 shares from 10,000,000 shares and the authorized indebtedness to $150,000,000 from $50,000,000. **Proceeds**—For expansion program.

Seattle-First National Bank, Seattle, Wash. (1/18)
Nov. 22 it was announced bank plans to offer its stockholders of record Jan. 18, 1956, the right to subscribe on or before Feb. 24 for 100,000 additional shares of capital stock (par $20) on the basis of one new share for each eight shares held. **Price**—To be not less than $85 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Seattle, Wash.

South Texas Oil & Gas Co.
Aug. 30 stockholders authorized issuance of 110,000 shares of cumulative convertible preferred stock (par $10). **Proceeds**—For exploration and drilling program, etc. **Underwriter**—Previous common stock financing was handled by Hunter Securities Corp., New York, who it is stated, will not underwrite the new preferred issue.

Southern Nevada Power Co.
Nov. 7 it was announced company plans to sell in 1956 approximately $10,000,000 of new securities (probably $7,000,000 first mortgage bonds and $3,000,000 preferred and common stocks). **Proceeds**—For construction program. **Underwriters**—For stocks: Hornblower & Weeks, New York; Wiliam R. Staats & Co., Los Angeles, Calif.; and First California Co., San Francisco, Calif. Bonds may be placed privately.

★ **Texas Electric Service Co. (2/28)**
Nov. 28 it was reported company plans to issue and sell $10,000,000 first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids** — Tentatively scheduled for Feb. 28.

Texas Industries, Inc.
Oct. 11 stockholders authorized a new issue of 30,000 shares of new common stock (no par value), of which it is planned to initially issue 10,000 shares bearing a $5 dividend and having a redemption value of $105 per share. **Proceeds**—For expansion program. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas, Tex.

★ **Texas & Pacific Ry. (12/7)**
Bids will be received by the company at 233 Broadway, New York, N. Y., up to noon (EST) on Dec. 7 for the purchase from it of $1,400,000 equipment trust certificates, series R, to be dated Jan. 1, 1956 and to mature in 10 equal annual instalments from Jan. 1, 1957 to 1966, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; First National Bank in Dallas and Fort Worth National Bank (jointly).

● **Texas Utilities Co. (1/31)**
Nov. 18, the directors authorized the sale of additional shares of common stock to raise approximately $15,000,000. **Proceeds**—For further investment in common stocks of subsidiaries and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. **Offering**—It is anticipated that the new stock will be marketed during the first quarter of 1956.

● **Van Norman Co.**
Nov. 30 stockholders approved proposals to change the name of company to Van Norman Industries, Inc. and to create an authorized issue of 400,000 shares of $2.28 convertible preferred stock (cumulative to the extent earned). The directors do not intend at this time, to sell any common or preferred shares.

Westcoast Transmission Co., Ltd.
Nov. 21 it was reported company now plans to issue and sell publicly over $20,000,000 of securities, probably in units of debentures and stock. Bonds are expected to be placed privately. **Proceeds**—For new pipe line. **Underwriter**—Eastman, Dillon & Co., New York.

Western Maryland Ry.
Nov. 23 holders of first 7% cumulative preferred stock, second 4% non-cumulative preferred stock and common stock of record on Nov. 22, 1955, were given the right to subscribe on or before Dec. 7, 1955 for 128,597 shares of additional common stock at the rate of one share for each six shares, regardless of class, held. The Baltimore & Ohio RR. will subscribe for 55,696 shares of the additional stock to which it is entitled as owner of 334,177 shares of Western Maryland's outstanding stock. The offer of the remaining 72,091 shares is being underwritten. **Price**—$41 per share. **Proceeds**—To be applied toward the payment of all dividend arrears on the first 7% cumulative preferred stock, amounting to $19,250,070. **Underwriters**—Morgan Stanley & Co., New York, and Alex. Brown & Sons, Baltimore, Md.

● **Westpan Hydrocarbon Co.**
March 2 it was announced Sinclair Oil Corp. has agreed with the SEC to divest itself of its investment of 384,380 shares of Westpan stock (52.8%). The time in which Sinclair may sell their holdings has been extended by SEC to Dec. 21, 1955. On Nov. 28 it was reported a plan has been devised under which the Westpan will purchase said shares at $12 each, plus an additional $2.50 per share contingent upon installation of facilities to increase output of liquid hydro-carbon.

● **Whirlpool-Seeger Corp.**
Nov. 14 it was reported that a secondary offering of 150,000 shares of common stock was planned the week of Nov. 21. **Underwriters**—Blyth & Co., Inc. and Goldman, Sachs & Co., both of New York. It was withdrawn.

York County Gas Co., York, Pa.
June 29 it was announced company contemplates the issuance and sale later this year of a new series of its first mortgage bonds, in an aggregate amount not yet determined. **Proceeds**—To pay for new construction and probably to refund an issue of $560,000 4¾% first mortgage bonds due 1978. **Underwriter**—May be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; A. C. Allyn & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly). **It is also possible that issue may be placed privately.**

Mutual Funds

By ROBERT R. RICH

Sales Record May Be Set

For the first year since establishment of the original mutual investment company in 1924, sales of shares offered by a single mutual fund underwriter through independent investment dealers are likely to exceed $100,000,000 in 1955, it was stated today by Henry T. Vance, senior partner in Vance, Sanders & Company.

This estimate was based on reported sales for 1955, through Nov. 4, of over $86,000,000 for the six funds of the Vance, Sanders group.

This is more than $2,000,000 above sales for the full year 1954 and about $10,000,000 ahead of the final total for 1953.

The funds of the group, with aggregate net assets of approximately $1,250,000,000, include Massachusetts Investors Trust, Boston Fund, Massachusetts Investors Growth Stock Fund, Canada General Fund, Century Shares Trust and The Bond Fund of Boston.

Pointing out that nearly 2,000 investment dealers, in all parts of the country, had contributed to this year's record sales of these funds, Mr. Vance observed that:

"After 31 years, there can be no doubt that the mutual fund business has 'arrived,' despite many early obstacles. It seems equally clear that it is the essential soundness of investment company operations that has been responsible for the now widespread public acceptance of mutual funds."

Dividend Assets Rise Sharply In Quarter

Net assets of Dividend Shares, Inc., mutual fund supervised by Calvin Bullock, Ltd., amounted to $188,548,815 for the fiscal year ended Oct. 31, 1955, according to Hugh Bullock, President. This figure represents an increase of $38,079,457 over the net assets at the end of the previous year and establishes a new high for year-end assets of the fund.

On a per share basis, the value of Dividend Shares increased from $2.124 at the end of fiscal 1954 to $2.541 on Oct. 31, 1955. To the latter figure should be added 8 6/10th cents per share, reflecting the distribution made from net profits realized during 1955. If such profits had not been distributed, the asset value per share would have been $2.627 on Oct. 31, 1955, Mr. Bullock said.

Total dividends for 1955, he pointed out, were 8.4 cents per share, or 5% higher than in 1954. They have amounted, since incorporation in 1932, to over $58,000,000 and distributions from net profits to more than $39,000,000.

Over the longer term, Mr. Bullock said, the outlook for economic activity is for even higher levels as our population expands, as our economic machinery is built up, and as productivity is increased. All of this, of course, presupposes a continuation of confidence on the part of businessmen and investors. Initial public reaction to the illness of the President of the United States, he said, was a convincing demonstration of the fragile nature of this very important element of confidence in our economy.

Boston Fund's total assets amounted to $134,615,495 at the close of the third quarter of the present fiscal year on Oct. 31. Net asset value per share on that date was $15.79, which compares with $16.28 at the end of the previous quarter and $13.64 a year earlier, adjusting for the two-for-one stock split last April.

The quarterly report notes that the number of shares outstanding reached a total of 8,527,432 on Oct. 31 of this year, which compares with 8,245,678 a year earlier, adjusting for the stock split. The number of shareholders also reached a new high at the close of the latest quarter.

Mrs. Axe Gives Apologia For Uranium Stocks

Holders of uranium mining stocks have nothing to fear from speculation that the process used in exploding the hydrogen bomb may soon be used for generating industrial power, Mrs. Ruth H. Axe, President of the Axe Science & Electronics Corporation, said in an *apologia*.

Although such views were expressed at the Geneva Atomic Energy Conference and led to a sharp decline in the uranium stocks, Mrs. Axe assured shareholders that industrial energy from the fusion process used in the hydrogen bomb is still years away from the realm of reality.

"In the first place," she said, "the heat created is beyond any known control. Our technical advisors are confident that uranium will continue to be the most important nuclear fuel for many years to come."

Mrs. Axe noted that approximately $2,650,000 or 13.1% of Axe Science and Electronics Corporation common stock holdings is in stocks of uranium mining companies in the United States, Canada and Africa. "We intend to continue investing in these equities," she said.

In support of her faith in the future of uranium she quoted U. S. Senator Clinton P. Anderson, who told the American Mining Congress recently that in his opinion the need for uranium will continue to expand with the development of new nuclear weapons for defense and atomic-powered warships and planes; and that his guess was that estimates that the free world will need 17,000 tons of uranium for civilian power by 1975 or 1980 "are too conservative.'

Splits 3-for-1

Axe-Houghton Fund B directors have voted a three-for-one stock split and will ask stockholders to approve an increase in the authorized capital stock from 3 million to 12 million shares at the annual meeting Jan. 26, 1956.

If the increase is approved, the new shares will be delivered early in March.

The split-up is the second in the fund's 17-year history. The first was on April 20, 1946, when the stock was split two for one.

Colleges, Universities Now Place Half of Assets in Commons

Well over half the investment holdings of leading colleges and universities are in common stocks, it is reported in the current issue of "Brevits," bi-weekly publication of Vance, Sanders & Company.

A table of figures for 38 institutions, with total endowment funds in excess of $2,100,000,000 shows an average of 30.5% in bonds or cash, 6.0% in preferred stocks, 56.5% in common stocks, 5.5% in real estate and mortgages and 1.5% in other investment at market values on June 30, 1955. The endowments analyzed range in size from Harvard's $442,022,629 to $3,074,767 for Bates College, in Lewiston, Maine.

The current figures include investment in college plant if considered to be an income-producing part of the endowment account.

A year ago, similar figures compiled by Vance, Sanders & Company for 35 colleges and universities with investments of $1,721,000,000, exclusive of college plant, showed an average of 38.8% in bonds, 6.5% in preferred stocks, 50.4% in common stocks, 6.0% in real estate and mortgages and 2.3% in other investments.

In addition to Harvard, large endowments included in both years are those of Yale, University of Chicago, University of Rochester, Princeton and Massachusetts Institute of Technology.

In an accompanying article "Brevits" points out that:

"It is quite evident from a study of college financial reports that over a period of years most of these institutions have gradually tended to increase their participation in common stock investments. This seems to have stemmed from the important considerations that: (1) common stocks of seasoned companies have established excellent records as productive investments and (2) they have offered a sufficiently higher income return over a period of years to justify their increased risk of ownership."

Of the 38 institutions, those with more than the average of 56.5% in common stocks last June 30 were Wesleyan ($35,363,000) 79.2%; University of Virginia ($38,270,000) 77.5%; Case Institute of Technology ($16,182,000) 66.7%; Pomona College ($10,402,000) 65.6%; California Institute of Technology ($48,100,000) 63.0%; Amherst ($33,064,000) 61.9%; Washington & Lee ($9,724,000) 61.8%; Dartmouth ($52,209,000) 61.2%;; Wellesley ($39,241,000) 60.6%; together with the University of Chicago, Cornell, Harvard, Oberlin, Pennsylvania, Princeton, Swarthmore, Williams and Yale. None of the colleges and universities covered by the survey had less than 42.5% of its investments in common stocks.

National Invests Half of Assets In Rails, Metals

National Securities Series, one of the largest of the nation's mutual investment fund organizations, has more than $110 million or nearly half of its total net asset value concentrated in the railroads, iron and steel, and nonferrous metal industries, according to a study of the semi-annual report on the National Securities Series.

Total net assets of the National Securities Series, managed and sponsored by National Securities & Research Corporation, aggregated $249,042,081 on Oct. 31 last, compared with $233,865,304 six months earlier, and $188,463,009 on Oct. 31, 1954.

The latest report shows an investment in the railroad consisting of bonds, preferred and common stocks industry amounting to $59,728,763 based on total market value as of Oct. 31, representing 23.9% of the Series aggregate net asset value. This compares with $66,030,028, or 28.2%, on April 30, 1955—a 9.1% decrease.

Stock investments in the iron and steel industry accounted for $30,782,025 or 12.4% of total net asset value on Oct. 31, compared with $28,251,825, or 12.1%, six months ago.

Non-ferrous metals were in third place with a total investment in stocks of $19,685,350, or 7.9%, on Oct. 31, while auto parts were in fourth position with $17,607,018, or 7.7%. In fifth place were aircraft companies with $17,362,675.

Investments in other industries of more than $5,000,000 each were as follows: industrial machinery, $11,670,475; building and construction, $11,669,232; oil, $9,705,206; utilities, $8,423,506; auto manufacturing, $6,033,712; retail trade-department stores, $5,187,056; and electrical equipment, $5,002,212.

Affiliated Fund Hits New High

Affiliated Fund, New York's biggest investment company, reached a new year-end high in assets of $335,606,525 at Oct. 31, 1955—up $54,691,643 from assets of $280,914,882 a year earlier.

Per-share asset value, according to the company's annual report, was $5.99 — up 79 cents for the year after adjusting the beginning value of $5.49 for a 29-cent distribution of the previous year's security profits.

Net investment income, amounting to $12,383,225, or 23 cents a share, was paid to shareholders in four quarterly dividends.

Net profits realized from sales of securities, amounting to $17,108,751, or 31 cents a share, will be paid to shareholders in December.

In his report, H. I. Prankard, 2nd, President, discussed investment changes made in the company's effort to keep its assets invested in the stocks that seem to offer the greatest values in relation to market prices.

At the year end, 87½% of the company's assets was in stocks, with the emphasis on stocks of companies providing services or producing consumers' non-durable goods.

The largest groups of investments were in the:

Natural gas industry accounting for			11.40%
Electric light and power	"	"	10.92%
Banking	"	"	7.76%
Drugs	"	"	7.41%
Food	"	"	7.03%
Governments, cash and receivables			12.52%

Southwestern Investors, Inc. resources reached another new high of $2,418,270.74, compared with $1,374,415.13 a year ago and $210,000 at the inception in February, 1954. The net asset value per share has grown from $10.88 a year ago to $11.91. In the year's period, payments were made to shareholders of 31 cents per share investment income and 31 cents per share capital gains.

Continued on page 46

Batchker, Eaton & Co. Formed in New York City

Batchker, Eaton & Co. has been formed with offices at 120 Broadway, New York City, to engage in a securities business. Partners are Philip A. Batchker, Jerome A. Eaton, Joel A. Batchker, Samuel Z. Gelsey, general partners, and Joseph S. Eaton, limited partner.

Family Fund Investors

Family Fund Investors is engaging in a securities business from offices at 10 East 49th Street, New York City. William G. Damroth is a principal of the firm.

Now Texas Fund Management Company

HOUSTON, Texas — The firm name of Bradschamp & Co., Texas National Bank Building, has been changed to Texas Fund Management Company.

Investing in Common Stocks for Income through National Stock Series

a mutual fund, the primary objective of which is to provide an investment in a diversified group of common stocks selected because of their relatively high current yield and reasonable expectance of its continuance with regard to the risk involved. Prospectus and other information may be obtained from your investment dealer or:

National Securities & Research Corporation
Established 1930
120 Broadway, New York 5, New York

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BOND, PREFERRED AND COMMON STOCK FUNDS

The Keystone Company
50 Congress Street, Boston 9, Mass.
Please send me prospectuses describing your Organization and the shares of your ten Funds. D 141
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invest in ATOMIC SCIENCE through a MUTUAL FUND.

ATOMIC DEVELOPMENT MUTUAL FUND, Inc. is designed to provide a managed investment in a variety of companies participating in activities resulting from Atomic Science.

GET THE FACTS AND FREE PROSPECTUS
Atomic Development Securities Co., Inc.
1033 THIRTIETH STREET, N. W.
WASHINGTON 7, D. C.

Our Reporter's Report

The situation in the new issue market appears to be a bit confused at the moment, what with the Federal Reserve Board keeping its foot hard on the credit brake while officials of other segments of the money market, notably the mortgage field, continue to talk of early easing of rates in such directions.

The Treasury's decision to stick to short-term issues in carrying through its heavy current refinancing, though at the highest rates in several years, did not appear to have the revivifying effect expected on the seasoned market.

Perhaps many have overlooked the fact that we are heading into the closing month of the year and that the rank and file of off-the-street investment interests are beginning to look over the job of getting ready to close out their books.

It is normal in such circumstances for such interests to just coast along, being interested only in unusual opportunities in this interval. And that seems just about to sum up conditions as they prevail at the moment.

Two new issues, one carrying a Triple A rating and the second a Double A listing, brought out in the last few days failed to attract any rush of buyers even though offered on a yield basis of 3.215% and 3.27%, respectively.

Both got away to a fairly promising start but demand seemed to peter out, leaving the bulk of both undertakings as inventory, at least for the time being.

Consol. Edison of N. Y.

Perhaps a bit of the reticence on the part of investors to take up this week's offerings might be traced to a disposition to wait and see just what develops out of the impending offering by Consolidated Edison Co. of N. Y.

The big metropolitan utility has $70 million of first refunding, 30-year bonds up for bids on Tuesday. It is just about a year since Con. Ed. last took a look at the long-term bond market and then decided to wait things out, arranging interim financing of its needs in the meantime.

It still has recourse to the balance of a $100 million revolving fund set up with banks so that, if it should decide it could perhaps wait a little longer. But feeling is that the prospective issue will be on the market on schedule.

Competition Brisk

Doubtless recognizing the prospects for taking on a selling job, underwriters bid briskly for this week's corporate offerings, both of which came to market on Tuesday. Baltimore Gas & Electric Co. received a total of four bids for its $30 million of first refunding, 30-year mortgage bonds.

The best was 100.149 for a 3¼% coupon rate. The other three specified a 3⅜% interest rate and ranged from 102.213 down to 102.181.

San Diego Gas & Electric's smaller undertaking, $18 million of 30-year, first mortgage bonds, attracted no less than eight bids, all for 3¼s, ranging downward from the successful tender of 99.069 to a low of 98.45.

Stocks Issues to Fore

Next Tuesday will find investors looking over a couple of public utility stock offerings, one via competitive bidding and the other through negotiated channels.

Columbus & Southern Ohio Electric, by negotiation, is offering 250,000 shares of additional common stock to provide funds for liquidation of loans incurred to finance construction.

Virginia Electric & Power Co., meanwhile, will open bids the same day, Tuesday, for 125,000 shares of $100 par preferred stock to give it money for new construction.

To add a little spice, the New York State Thruway Authority will open bids for another batch of its bonds, $50 million, making the second such lot to be put on the market since rejection of bids for its much larger recent offering.

Northrop Convertible Debentures Offered

William R. Staats & Co. and Blyth & Co., Inc., yesterday (Nov. 30) jointly headed an underwriting group offering $10,000,000 Northrop Aircraft, Inc. 4% convertible subordinated debentures, due Dec. 1, 1975, at 100% plus accrued interest—convertible into common stock at $27.25 per share, subject to adjustments.

Northrop, which was organized in California in 1939, is principally engaged in the production of the Scorpion F-89 all-weather interceptor, a high-performance, twin-jet, heavily-armed plane designed specifically for the defense of the continental United States. The company is also active in the national program of developing guided missiles. Its wholly-owned subsidiary, Radioplane Company, is the principal supplier of target drones to the armed forces and has recently expanded its activities into the missile field.

Northrop's principal offices and plant facilities are in Hawthrone, Calif. — with plants in Anaheim, Palmdale and Ontario. Radioplane is currently building new offices and factories in Van Nuys, Calif., and El Paso, Texas. On Aug. 1, 1955, the consolidated sales backlog of the company amounted to $281,700,000 of which $87,700,000 was reflected in inventories and work in progress.

Proceeds from the sales of debentures will be added to working capital—and may temporarily be invested in short-term U. S. Government securities, or used to reduce outstanding short-term bank loans.

Outstanding capitalization as of Oct. 15, 1955, was 1,499,900 shares of $1 par value common stock, $7,000,000 Northrop short-term notes and $576,686 Radioplane short-term notes.

The company has applied for the listing of the debentures on the New York Stock Exchange.

Associated with William R. Staats & Co. and Blyth & Co., Inc. in the underwriting are: Goldman, Sachs & Co., Lehman Brothers, Smith, Barney & Co., Paine, Webber, Jackson & Curtis, Clark, Dodge & Co., A. C. Allyn and Company, Incorporated, Bache & Co., Dominick & Dominick, First California Company, Incorporated, Hemphill, Noyes & Co., Schwabacher & Co., Dempsey-Tegeler & Co., Francis I. duPont & Co., Emanuel, Deetjen & Co., Reynolds & Co., Walston & Co., Bateman, Eichler & Co., Crowell, Weedon & Co., Hill Richards & Co., E. F. Hutton & Company, Lester, Ryons & Co., Sutro & Co., Bingham, Walter & Hurry, Inc., Cohu & Co., Crutenden & Co., Hooker & Fay, and Wagenseller & Durst, Inc.

South African $50 Million Loan Set

Dr. J. E. Holloway, Ambassador of the Union of South Africa to the United States, signing agreements with the International Bank for Reconstruction and Development and Dillon, Read & Co., Inc. as representatives of an investment banking group, for a loan of £9,000,000 from the Bank and a $25,000,000 bond issue to be offered to the public by the investment banking group subject to final clearance by the Securities and Exchange Commission. Kingman Douglass, Vice-President of Dillon, Read & Co., Inc., signed for the underwriters and Eugene R. Black, President of the Bank for the Bank. Looking on was Robert L. Garner, Vice-President of the World Bank. Photo shows; (L-R): Seated—Eugene R. Black and Dr. J. E. Holloway; Standing—Robert L. Garner and Kingman Douglass, Vice-President, Dillon, Read & Co., Inc.

Continued from page 45

Mutual Funds

American Fund Reaches New Highs

New highs were set by American Mutual Fund, Inc. during the fiscal year ended Oct. 31, 1955, President Jonathan B. Lovelace said in his annual report to shareholders. Total net assets, shares outstanding, net assets per share, net income, and the number of shareholders all set new record highs.

Total net assets with securities valued at quoted market prices at Oct. 31, 1955, were $27,181,663, equivalent to $8.10 per share on the 3,354,201 shares of capital stock then outstanding. This compares with net assets of $16,800,861, or $6.93 per share on the 2,422,714 shares outstanding at Oct. 31, 1954.

Net income, excluding realized gain on sales of securities, for the fiscal year ended Oct. 31, 1955, was $676,599, equivalent to 24.5 cents per share on the 2,759,437 average number of shares outstanding during the year. This compares with net income of $489,823, or 23 cents per share on the 2,134,126 average number of shares outstanding in the fiscal year ended Oct. 31, 1954.

Commonwealth Stock Fund total assets were $1,265,124 as of Oct. 31, Robert L. Cody, Executive Vice-President, reported. This compares with $380,979 a year ago.

The fund's principal industrial holdings are oils, 14.2%; chemicals-drugs, 11.8%; electric power, 7.9%; and electrical and electronics 7.0%. Acquisitions during the last six months include Ford Motor of Canada, Minneapolis-Honeywell, McGraw Electric, Continental Assurance, Colorado Interstate Gas and Halliburton Oil Well Cementing Co. Commonwealth Stock Fund was founded in 1952 by North American Securities Company, which currently has more than $100,000,000 of investment company funds under supervision.

Personal Progress

George D. Aldrich has been elected a director of J. Ray McDermott & Co. Inc., engineering and construction service company which specializes in oil and gas operations in the inland and offshore waters of the Gulf coast area of Louisiana, Texas, Mississippi, Alabama and Florida.

Mr. Aldrich is Vice-Chairman of the board of Incorporated Investors, Boston, a leading mutual fund, and holds the same office with Incorporated Income Fund. He is also a director of Wheeler Reflector Co. and a corporator of the Provident Institution for Savings of Boston.

STEPHEN HARTWELL, Vice-President of the Atomic Development Securities Company, Inc., has been promoted to the newly-created post of Executive Vice-President, it was announced by President Newton I. Steers, Jr.

The securities company is the distributor of Atomic Development Mutual Fund, Inc., an open-end investment company specializing in the securities of companies active in the atomic energy field.

Mr. Steers also announced the promotion to Vice-President of John E. Lotspiech, the fund's west coast representative with headquarters at Beverly Hills, Calif. He will continue to represent the fund in five far Western states.

Mr. Hartwell, who also serves as Treasurer of Atomic Development Mutual Fund, joined the securities company on July 1, 1954 after serving for several years as an official of the U. S. Atomic Energy Commission. Before entering the Army in World War II, during which he served as a Signal Corps Major, he was an investment analyst with the Pennsylvania Company for Banking and Trusts.

Mr. Lotspiech was an account executive with Dean Witter & Co., at Los Angeles, before joining the Atomic Development Securities Company on Sept. 1, 1954. He, too, is a veteran of World War II, serving as a Field Artillery Captain.

Wall Street Corp. Starts New Plan

Wall Street Investing Corp. has introduced a shareholder service making possible the payment of investment income dividends once a month instead of quarterly, John H. G. Pell, President of the common stock mutual fund, announced.

The service, called the Monthly Dividend Plan, gives holders of 600 shares or more the opportunity to receive their quarterly dividends in three monthly payments.

It is available to every shareholder meeting the minimum investment requirements and can be discontinued by the investor at any time on written notice.

The Irving Trust Co., acting as the investor's agent, will collect and retain all dividends exclusive of capital gains distributions and remit the proceeds to the investor in three approximately equal monthly payments.

The bank will not pay interest on amounts held. Bank charges for its services under the plan will be paid by Wall Street Management Corp., principal underwriter of Wall Street Investing Corp.

FINANCIAL NOTICE

Notice to Security Holders of
THE DAYTON POWER AND LIGHT COMPANY
Earning Statement for Twelve Months Period Ended September 30, 1955

The Dayton Power and Light Company has made generally available to its security holders, in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended, an earning statement for the 12 months period ended September 30, 1955, which began after the effective date of the Company's Registration Statement, SEC File No. 2-11091, (effective September 22, 1954), relating to the $15,000,000 3% Series Bonds Due 1984 of the Company. On request, the Secretary of the Company will mail copies of such earning statement to security holders of the Company and other interested parties.

The Dayton Power and Light Company
25 North Main Street, Dayton 1, Ohio
December 1, 1955

REDEMPTION NOTICE

MERCK & CO., INC.
RAHWAY, N. J.

Redemption of
$4.25 Second Preferred Stock

MERCK & CO., INC., will redeem on February 2, 1956 the entire issue of 143,664 outstanding shares of its $4.25 Second Preferred Stock. Shares will be redeemed at the call price of $101 per share plus $0.3778 per share, representing an amount equivalent to accrued dividends. On and after January 3, 1956 shareholders may redeem their shares at this price at Bankers Trust Company, New York City, the redemption agent. Notice and instructions as to redemption procedure will be mailed on or about December 27, 1955 to holders of this stock.

JOHN H. GAGE, *Treasurer*
November 29, 1955

San Diego G. & E. 3¼% Bonds Offered

A new issue of $18,000,000 first mortgage bonds of San Diego Gas & Electric Company was publicly offered yesterday (Nov. 30) by an underwriting group headed by Blyth & Co., Inc. The issue was awarded to the group at competitive sale on Nov. 29 on a bid of 99.069 naming a 3¼% interest rate. On re-offering, the bonds, which mature in 1985, were priced at 99.619 and accrued interest to yield 3.27% to maturity.

The West Coast utility will use the proceeds from the bond sale to retire $8,000,000 of bank notes incurred previously under a revolving credit agreement which also will be cancelled and to finance in part the company's construction program for 1955 and 1956. Cost of additions for the two year period is estimated at approximately $35,000,000, the major portion of which has been allocated for additional electric generating and distribution facilities.

The company supplies electric and/or gas service in San Diego County and in a portion of Orange County in California. Total operating revenues for the 12 months ended Aug. 31, 1955, amounted to $41,201,000 and net income for the period amounted to $5,133,000.

Giving effect to issuance of the new 3¼% bonds and application of proceeds, capitalization of the company will consist of $73,000,000 in long-term debt; 1,000,000 shares of $20 par preferred stock in three series, and 4,000,000 shares of common stock, $10 par.

Nolting, Nichol Office

PENSACOLA, Fla.—Carl W. Nolting Investments of Birmingham, Ala., has opened a branch office at 311 Woodbine Drive, Cordova Park, under the name of Nolting, Nichol and Company.

DIVIDEND NOTICES

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 199
Common Dividend No. 189

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending December 31, 1955, a dividend of 25¢ per share and an extra dividend of 10¢ per share on the Common Stock have been declared. Dividends are payable January 3, 1956 to holders of record December 6, 1955. The stock transfer books will remain open.

E. F. PAGE, *Secretary and Treasurer*
November 23, 1955

DIVIDEND NOTICES

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N. Y.

205TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on January 3, 1956, to stockholders of record at the close of business December 9, 1955. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*
November 29, 1955

CALIFORNIA-PACIFIC UTILITIES COMPANY

Quarterly dividends on the preferred and common stocks have been declared payable December 15 to shareholders of record December 1, 1955, at the following rates per share: 25¢ on the 5% preferred, 25¢ on the 5% convertible preferred, 27¢ on the 5.40% convertible preferred, 27½¢ on the 5½% convertible preferred and 37½¢ on the common stock.

D. J. Ley
VICE-PRESIDENT & TREASURER
San Francisco, November 21, 1955

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 898

The Board of Directors has declared regular dividend of forty cents a share ($.40) and an additional year-end dividend of forty cents a share ($.40) of $12.50 par value Capital Stock, payable December 17, 1955 to stockholders of record December 8, 1955.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
November 25, 1955.

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 84

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on December 28, 1955, to stockholders of record at the close of business on December 9, 1955.

A. R. BERGEN,
Secretary.
November 28, 1955.

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation held in New York, N. Y. on November 28, 1955, a quarterly dividend on the common stock of the corporation in the amount of fifty cents per share was declared, payable January 5, 1956 to stockholders of record at the close of business on December 9, 1955. The regular quarterly dividend on the Series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the Series B $50 par value preferred stock in the amount of sixty-eight and three-quarters cents per share was declared, payable on December 31, 1955 to stockholders of record at the close of business on December 9, 1955.

D. C. McGREW,
Secretary.

IRVING TRUST COMPANY

One Wall Street, New York

November 23, 1955

The Board of Directors has this day declared an increase in the quarterly dividend from 30 cents to 37½ cents and an extra dividend of 12½ cents (total 50 cents) per share on the capital stock of this Company, payable January 3, 1956, to stockholders of record at the close of business December 1, 1955.

RALPH B. PLAGER, *Secretary*

DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York 20, N. Y.

A quarterly dividend of 43¾ cents per share on the Preferred Stock has been declared, payable January 3, 1956, to stockholders of record at the close of business December 14, 1955.

A dividend of 40 cents per share and an extra dividend of 10 cents per share on the Common Stock has been declared payable, January 3, 1956, to stockholders of record at the close of business December 14, 1955.

J. P. McCAULEY, Secretary.
Dated: November 30, 1955.

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 196

An extra dividend of $.25 per share on the no par value Common Stock has been declared, payable December 27, 1955, to stockholders of record at the close of business on December 12, 1955. Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, November 23, 1955.

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22

The 163rd Consecutive
Quarterly Dividend

The Board of Directors of this Corporation has this day declared a Quarterly Cash Dividend of $1.00 per share, payable December 10, 1955, to stockholders of record at the close of business on November 18, 1955. Transfer books will not be closed. Checks prepared on IBM Accounting Machines will be mailed.

A. L. WILLIAMS, Executive Vice Pres. & Treasurer
October 25, 1955

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
590 Madison Ave., New York 22

The Board of Directors of this Corporation has this day declared a stock dividend at the rate of two and one-half shares for each 100 shares held, to be issued January 27, 1956, or as soon thereafter as practicable, to stockholders of record at the close of business on January 4, 1956. Transfer books will not be closed.

A. L. WILLIAMS, Executive Vice Pres. & Treasurer
October 25, 1955

LUDMAN CORPORATION

North Miami, Florida

The Board of Directors of Ludman Corporation has declared the usual quarterly dividend of 10c per share to stockholders of record Dec. 9, 1955, payable Jan. 3, 1956.

Ludman Corporation has paid quarterly dividends without interruption since its first public offering.

MAX HOFFMAN
President

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 111

On November 29th, 1955 the Directors of Newmont Mining Corporation declared a regular dividend of 50¢ per share and an extra dividend of $1.00 per share on the 2,658,230 shares of its Capital Stock now outstanding, payable December 15th, 1955 to stockholders of record at the close of business December 9th, 1955.

WILLIAM T. SMITH, *Treasurer*
New York, N. Y., November 29th, 1955.

OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 197

A dividend of $.90 per share on the no par value Common Stock has been declared, payable January 27, 1956, to stockholders of record at the close of business on January 3, 1956.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, November 23, 1955.

ROBERTSHAW-FULTON CONTROLS COMPANY
Greensburg, Pa.

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5¾ per cent Cumulative Convertible Preferred Stock, payable December 20, 1955 to stockholders of record at the close of business December 9, 1955.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable December 20, 1955 to stockholders of record at the close of business December 9, 1955. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary & Treasurer
November 22, 1955

UNITED FRUIT COMPANY

226th
Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable Jan. 13, 1956, to shareholders of record Dec. 9, 1955.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., November 21, 1955

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a quarterly dividend of sixty cents ($.60) per share on its Common stock, payable December 19, 1955, to stockholders of record at the close of business December 7, 1955. The board also declared a stock dividend of two per cent (2%) on the presently outstanding shares payable January 23, 1956, to stockholders of record at the close of business December 7, 1955.

ERLE G. CHRISTIAN, *Secretary*

CONTINENTAL BAKING COMPANY

Preferred Dividend No. 68

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable January 1, 1956, to stockholders of record at the close of business December 9, 1955.

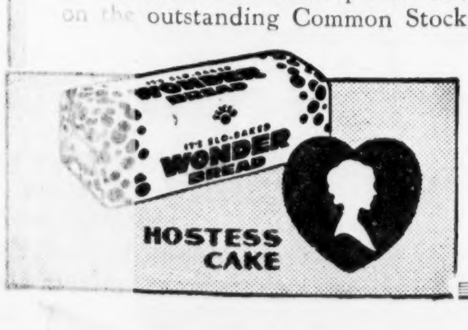
Common Dividend No. 43

The Board of Directors has declared this day a regular quarterly dividend, for the fourth quarter of the year 1955, of 50¢ per share on the outstanding Common Stock, payable December 27, 1955, to holders of record of such stock at the close of business December 9, 1955.

The stock transfer books will not be closed.

WILLIAM FISHER
TREASURER

November 28, 1955



MINERALS *International* CHEMICALS

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices:
20 North Wacker Drive, Chicago 6

QUARTERLY DIVIDENDS

4% Cumulative Preferred Stock
55th Consecutive Regular Quarterly Dividend of
One Dollar ($1.00) per Share

$5.00 Par Value Common Stock
Forty Cents (40¢) per Share

Declared—Nov. 17, 1955
Record Date—Dec. 16, 1955

Payment Dates
Preferred Stock: Dec. 30, 1955
Common Stock: Jan. 3, 1956

A. R. Cahill
Vice President and Treasurer

Phosphate • Potash • Plant Foods
Chemicals • Industrial Minerals
Amino Products

MERCK & CO., INC.
RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on January 3, 1956 to stockholders of record at the close of business December 12, 1955.

JOHN H. GAGE, *Treasurer*
November 29, 1955

THE West Penn Electric Company
(Incorporated)

Quarterly Dividend
on the
COMMON STOCK

32½¢ PER SHARE

Payable December 28, 1955
Record Date December 9, 1955
Declared November 30, 1955

WEST PENN ELECTRIC SYSTEM
Monongahela Power Company
The Potomac Edison Company
West Penn Power Company

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D.C.—George Humphrey has sold the White House on the idea of abandoning the extra-marital financing features of the huge roads program and going it on the straight and narrow fiscal path.

When Mr. Eisenhower next proposes a roads program again, he will make it known, it is said that he favors a "pay-as-you-go" plan. Whether the President actually proposes the forms of taxes designed to pay for in the neighborhood of $2.5 billion annually of road expenditures, however, remains to be seen.

The roads program failed largely in a dispute over its financing features. The President's program as presented this year proposed that the some $2.5 billion yearly of additional expenditures it envisaged, be raised mainly through a separate highway authority which would borrow on its own credit, issuing bonds which would not be included in the legal debt, and provided further that by a species of mumbo-jumbo, it would be presumed that the additional tax receipts resulting from the additional use of motor vehicles would liquidate the special bonds.

Democrats, who thought they could harvest some political hay out of this bare-faced fiscal sleight-of-hand, adopted the idea this was naughty and came out for taxes to raise part of the cost. The taxes they proposed when the bill hit the House proved to be unpopular and the bill was defeated. Those particular taxes were pitched heavily at the trucking industry.

Too late for effective consideration, Rep., Tom Steed (D., Okla.) offered a compromise tax scheme. He would raise the Federal gas tax by one cent per gallon, add two cents a pound Federal tax on all tires and tubes (not just on trucks and buses), four cents a pound on camelback rubber for recapped tires, and two more percentage points of excise taxes on buses, trucks, and trailers.

It is said that this is the "minimum" tax schedule the Administration will now accept. The Treasury is said to believe this is not sufficient, as it is estimated it will take 15 to 16 years to raise $12.5 billion of additional revenues. The Treasury would like an additional two cents of Federal gasoline tax.

Might Pass

While this still hits the vehicular transportation industry pretty hard, there would be no increase in diesel fuel, used by heavy trucks, and the motorist would pay on everything except excises. The Democrats have worked themselves into a lather about sound financing of roads, and both parties are agreed about the need for re-making some 40,000 miles of interstate super-highways.

So there is a fair chance this deal might sell in the next session of Congress.

There is no evidence, however, that the Administration has adopted fiscal continence, as a uniform operating rule of conduct. The school program has not yet been changed from a scheme directly to encourage states to set up extra-legal authorities to violate their legal debt limits. The approach of Ezra Benson at Agriculture to help "low-income" farmers is in part to help this poorest class of borrowers through government-insured loans, or in effect the appropriation of bank deposits in lieu of the appropriation of Federal funds.

Economic Impact Delayed

When the roads program comes up next winter, it will face an additional obstacle which, however, may not prove to be decisive. The obstacle is that with a shortage of labor, steel, and cement, a huge additional roads program is likely to create a great deal of additional stress on the booming economy. It is said that the Administration's answer to this argument is likely to be that even if Congress writes the new roads program next year, it will take two years of planning and two years of buying rights-of-way before actual road construction can get going in volume.

Family Allowances Cost Billions

One of the few expensive welfare ideas that strangely has not yet caught the fancy of either the Truman or Eisenhower Administrations is Canada's plan of "family allowances," as it is called.

This is a scheme whereby the Federal Government at Ottawa makes a $5 grant for each child under six years of age; $6 for each child six to nine years; $7 for 10 to 12 years; and $7 for each child 13 years through age 15. When a child reaches age 16 in Canada, the central government stops assisting in its support.

Already at least one such "family allowance" bill is pending in Congress. This scheme has a simple directness that such involved schemes as remaking the drought areas of 10 Great Plains states or boosting the income of "low income" farmers lack. For this reason it will be watched to see who comes up first with this scheme in the United States.

Since 1945 when family allowances were first paid in Canada, their cumulative cost has exceeded $3 billion. Canada's economy is about one-fifteenth the size of the U. S. economy, so if the scheme had been in operation in this country, it would have entailed Federal expenditures of some $45 billion. However, that estimate would assume Congress shows as much restraint on welfare programs as the Parliament at Ottawa, an assumption that observers consider rash.

Helps Foreign School Lunches

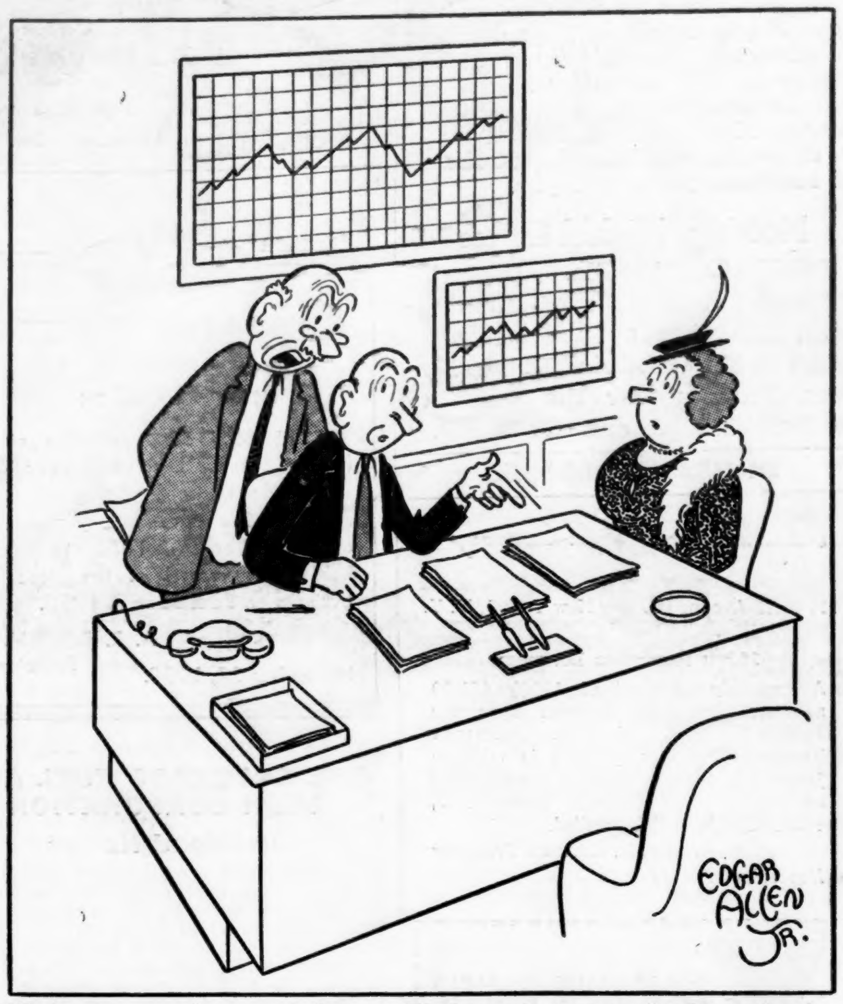
Uncle Sam is practically nondiscriminatory in its school lunch program, the Department of Agriculture has revealed.

The Department gives away surplus commodities acquired under price support, for free lunches for American school children. These may get free surplus whole milk, or skim milk made from dry milk powder.

In the case of foreigners, however, the Department does charge a nominal one cent per pound for dry milk powder for foreign school lunches. Already it has distributed some 65 million pounds of dry milk powder for school lunches in Brazil, Chile, Iraq, Israel, and Japan. This dry milk powder is made from whole milk purchased under price supports.

In the Washington, D. C., area, a leading chain grocery store sells to domestic consumers a popular brand of dry milk powder at 25 cents per package containing 9¾ ounces.

BUSINESS BUZZ



"I know you're new here, Figbar, but we don't select a stock for a customer by the 'Eeny, Meeny, Miney, Mo' method!"

Charge Transportation Services Are Wasteful

Followers of the Hoover Commission are curious to see if the ire aroused in Congress by the announcement (later taken back) that two special flights of large aircraft at $20,000 apiece had been sent to Europe to return junketing Senators will lead to a careful look into wasted air transportation generally.

Whether or not three Senators did attempt to cost the government an aggregate of $40,000 for special flights, the military services themselves have considerable imagination on ways to waste money, said the task force which studied transportation within the Federal Government.

"The (task force) committee questions the flying of ping-pong balls from Westover Field to Berlin; and the flying of cement, in a 25,000-pound shipment, from this country to an Air Force base at Bermuda," the task force noted.

"If subsistence can be interpreted to include canned dog food, then the orders of a theater commander requiring the Military Air Transportation Service to fly a substantial quantity of it from the West Coast to Okinawa seem to offer an appropriate subject for examination. Few people would question the net result of this being that certain dogs in Okinawa had available to them dog food at an overall cost per pound probably setting a world's record."

In the military it is common, the task force observed, for turkeys to be purchased in the Norfolk, Va., area, for the midwest, and in the midwest, for the Norfolk area. "Someone," said the task force, is paying for this cross-hauling. "It is hard to visualize this someone not being the taxpayer."

Military aircraft in 1954, reported the Hoover Commission task force, transported an estimated 8,000,000 passengers, "of which only 3,200,000 could be considered as official duty travelers; the remaining 4,800,000 passengers would have to be considered as 'leave passengers' not traveling on official orders," said the report.

In other words, if all 435 members of the House and 96 members of the Senate were as constantly up in the air traveling as Secretary Dulles of the Department of State, they would not cost as much as 1% of the total free flying given by the military services.

Duplicate Air Services

When under the Truman Administration there was created the Military Air Transportation Service, the objective was to create a single, unified transportation service designed to meet the special needs of all the services, and eliminate duplicating military air transportation services.

Since the creation of MATS, there has been created both in the Air Services and the Navy, according to the task force, new duplicating air services both in the continental U. S. and abroad.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

Business Man's Bookshelf

Flow of Funds in the United States 1939-1953—Board of Governors of the Federal Reserve System, Washington 25, D. C. (paper), $2.75.

Full Prosperity for Agriculture: Goals for Farm Policy—Conference on Economic Progress, 1001 Connecticut Avenue, Northwest, Washington 6, D. C. (paper), 50c (quantity prices on request).

Measuring Business Changes: A Handbook of Significant Business Indicators—Richard M. Snyder—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y. (cloth), $7.95.

What Financial Community and Stockholder Relations Mean to Management—Joachim Silberman—Fiscal Information Service, 19 Rector Street, New York 6, N. Y.—$25.00.

Form Murray Klauber Co.

Murray Klauber & Co., members of the New York Stock Exchange, is being formed as of Dec. 1 with offices at 120 Broadway, New York City. Partners are Murray Klauber, member of the Exchange, general partner, and Aimee Klauber, limited partner. Mr. Klauber was formerly a partner in E. & M. Klauber.

Form J. E. McKenzie Co.

Joseph E. McKenzie & Co., members of the New York Stock Exchange, is being formed as of Dec. 1 with offices at 11 Wall St., New York City. Partners are Joseph E. McKenzie, general partner, and Solomon E. Shahmoon, limited partner. Both are members of the Exchange.

To Be Exchange Members

On Dec. 8 the New York Stock Exchange will consider the following transfers of membership: Joseph H. Brown to Benjamin Jacobson, Jr.; Henry Wreszin to Robert K. White; and Robert G. Howard to Charles J. Kershaw.

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